Stock Number: 2905

Annual Report 2020

Mercuries & Associates Holding, Ltd.

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Annual Report Website:
Taiwan Stock Exchange Market Observation Post System: https://mops.twse.com.tw
Company Website: http://www.mercuries.com.tw
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Overseas Securities Exchange: None

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I. Letter to Shareholders

Mercuries & Associates Holdings, Ltd. (the Company) is an investment holding company whose principal reinvestments are in the areas of life insurance, retail of daily commodities and food, pharmaceuticals. and information services industry (collectively known as the Group). In the past year, despite the slumping trend of social activities under COVID-19, the Company actively sought to optimize its reinvestment enterprises based on the concurrent strategic plans, striving to develop a more diversified, multi-market business model with the aim to continue to improve operational performance through economies of specialization and scale.

I. 2020 Performance Report

(I) Outcome of the Business Plan

The Company duly executed the investment strategies after prudent evaluation, aptly utilizing the Group resources and continuing to form joint ventures and strategic partnerships with domestic business partners and those overseas. The outcomes of the Company's 2020 plans for its principal investment businesses are as follows:

1. Retail of daily commodities and food

   Despite the effects of the COVID-19 pandemic and a general shortage of labor due to increased labor costs under the Labor Standards Act, the daily commodities operations grew about 7% as our investments have been into community stores who can meet the consumer demand for proximity to their households to purchase daily commodities. With regard to retail foods, although store-front dining decreased due to the COVID-19 pandemic, the impact was offset by the growth in the takeaway food delivery market for some brands, and the overall revenue in retail food nonetheless showed slight growth. The proliferation of innovative cross-industry partnerships in the market and the rapid growth of e-commerce platforms had presented challenges to the business of physical retailers. In order to improve profitability of our retail outlets, each of our business units had been keenly aware of competitor movements and market dynamics so as to capture the trend in consumer preferences to adjust product lineups and develop new products and to leverage the advantages of the scale of membership to increase operational revenue and thus profit. In 2020, division revenue grew about 6% compared to the year before. The number of retail outlets grew by 73 counts to 1,439 compared to the previous year-end figure.

2. Life insurance

   Due to the Sino-American trade war, the COVID-19 pandemic, and the slumping oil price, the economy in 2020 did not rebound as expected despite the fiscal and monetary policies implemented by the nations. Although not seriously affected by the pandemic, the life insurance division faced significant challenges due to the series of regulatory changes made to implement the Statements of Financial Accounting Standards on the Integration of the International Financial Reporting Standards 17 (IFRSs 17) and the Insurance Capital Standards (ISC) 2.0. However, we had maintained a steadfast business style and continued to promote the sales of guaranteed and investment-linked products. In 2020, the premium revenue from new contracts reached NT$27.5 billion, ranking No. 10 in the industry, and the total premium revenue reached 133.5 billion, staying No. 7 in rank.

3. Pharmaceuticals

Although the division continued to achieve new heights in operating revenue and recorded a 14% growth in 2020, due to the fire at SCI Pharmtech, Inc., the division profit was down 37% after adjustment for various losses.

4. Information services industry

The division revenue and overall profitability of Mercuries Data Systems Ltd. (MDS) was unaffected by the pandemic and was at the same levels as in the year before.

(II) Budget Implementation, Financial Status, and Profitability Analysis

The Company's consolidated operating revenue in 2020 was NT$210.7 billion, a decrease of 8% compared to 2019, with a budget achieving rate of 109%. In terms of profit, the net income for the parent company was NT$1,398 million, contributing to an earnings per share after tax of NT$1.63. The stated return on assets was 5.01%, and the stated return on equity was 6.95%.

(III) Status on Research and Development

1. Retail of daily commodities and food

In the highly competitive markets of retail daily commodities and food, and faced with highly volatile business environment and consumer demand, the Company incessantly adjusted product lineups and marketing strategies based on the market trends and demand, continued to optimize digitalization, and incorporated big data to facilitate management and marketing. In addition, it developed a differential marketing campaign for individual stores to enhance the competitiveness of each outlet, further market segmentation, increase regional competitive advantages, and improve the brand as a whole.

2. Life insurance

To raise mortality and loading surpluses in times of the aging population and low interest rates, Mercuries Life Insurance, Inc., (MLI) improved the UI/UX of its company website upon surveying the customers' needs, streamlined the underwriting process within the perimeter of risk control, and actively engaged in the introduction of FinTech and the strategic transformation of its products, to deliver a diversified range of services to the clients that met the needs of distinct population groups. As to investments, MLI had continued to improve the asset pool management-by-exception mechanism, increase fixed income, and enhance performance in passive investment to boost the income stream. It also continued to enforce internal compliance with pertinent laws and government regulations concerning the management of information security and firmly established new product risk control and liability risk management.

3. Pharmaceuticals

SCI Pharmtech takes a customer-centric approach to research and development. As business performance hinges on the viability of individual projects, research and development are conducted at SCI Pharmtech only after the business department's analyses of the market supply and demand, the R&D department's evaluation of the technical feasibility, and an examination of any matters concerning patents. The recent fire had destroyed the R&D facility at SCI Pharmtech; luckily, however, critical documentary materials survived. Upon recovery from the aftermath of the fire, SCI Pharmtech shall rebuild the R&D facility expeditiously to regain the potential in research and development and zealously to reestablish progress.

4. Information services industry

MDS continued to turn achievements in R&D into patents to protect the intellectual property and for the purpose of stacking up its competitive advantages further to raise the threshold for competitors.

II. Overview of the 2021 Business Plan

(I) Operating Objectives

The Company will lower its operating costs and enhance its competitiveness through focused management and will leverage the experiences of its subsidiaries and reach out to its domestic business partners and those overseas. It will prudently evaluate investment strategies in hope to develop holistically while scaling the scope of its businesses and, furthermore, to promote the brand of the Company.

(II) Key Production and Distribution Policies

1. Retail of daily commodities and food

In the year to come, the Company will continue to enhance its products and services; further market segmentation; promote brand recognition and product sales; improve the professional competence and attitudes of its personnel; create quality environments for consumers; upgrade information systems; conduct big data analysis and precision marketing; and increase user viscosity. In addition, the Company will insist on preopening cost-benefit evaluations to ensure maximization of labor- and cost-efficiency and scale the franchises to lower expenses on personnel and rent.

2. Life insurance

To effectively reduce interest rate risk and increase the mortality- and loading-surplus incomes, the Company will promote the sales of guaranteed and investment-linked products. In addition, besides developing products that meet the needs of the insured, the Company also strives to accomplish the goal of steady, sustainable development through steady fee- and fixed-income streams.

3. Pharmaceuticals

The operational guidelines following the major fire incident are:

(1) Recover production capacity as soon as possible while maintaining close relationship with the clients. Some production lines may resume production by the end of the third quarter of the current year, with plans to regain the former capacity in mid-2023.

(2) Disperse production facilities and maintain operational flexibility.

SCI Pharmtech will maintain the product-specific and client-specific policies on production and distribution:

(1) Active pharmaceutical ingredients (APIs):

Priority shall be given to the original developer of the medicine supply. Popular products should be avoided. SCI Pharmtech shall have in its lineup existing APIs that have higher safety criteria, stable sales, and/or new usage, are of new formulas or can be used to develop new drugs, and/or can be used as active main ingredients for new drugs.

(2) Intermediates:

The original developer of the medicine supply shall be chosen in principle. Then the order goes to high-entry-barrier intermediates for controlled medicines, key intermediates which are subject to strict regulations or quality management

procedures, intermediates related to SCI Pharmtech's core technologies, intermediates from entities of our strategic partnerships, and intermediates of which we have participated in the research and development. The aforementioned types of intermediates can help effectively to segregate SCI Pharmtech from market competition and avoid price wars.

(3) Specialty chemicals:

SCI Pharmtech produces and distributes electronic specialty chemicals which are high-standard in the pharmaceutical industry. Upon customer demand, SCI Pharmtech develops the production process for, and customizes and mass-produces, the chemicals for the clients.

4. Information services industry

MDS clientele is specific. It carefully selects and undertakes large-scale public engineering projects that produce substantial maintenance income and subsequent related business opportunities. It continues to pioneer new business developments, creates differential values, improve capacity in software development, invests in R&D, and increases its competitiveness.

III. Effects of External Competition, the Regulatory Environment, and the Economic Environment

(I) Impact of External Competition

As technology and the Internet applications advance, the management, manufacturing, marketing and distribution, and development of businesses and people's lifestyles as related to clothing, food, housing, transportation, education, entertainment, and the like, are deeply and inevitably affected by digitization and information security. Whether in life insurance, pharmaceuticals, retail of daily commodities or food, or information services, in order to alleviate the impact of external competition, it is imperative for the Company not only to provide differentiated products and quality and responsive services, but also to respond to rapid changes in the industry structures, cope with the volatility of market competition and the changing customer consumption patterns, and identify, assess, and respond adequately to expected or unexpected risks that have the potential of affecting operations.

(II) Regulatory Environment

The subjects of increasing corporate social responsibility, raising employee awareness, environmental protection, food safety, and corporate governance have become increasingly important in today's rapidly developing and ever-changing society. Government regulations are seemingly innumerable in the course of business. Laws of 2020 concerning life insurance emphasized on tightening the financial structures of the insurance business. The life insurance industry as a whole faced significant challenges due to laws that has instituted the death benefit threshold rule for policies requiring non-forfeiture values, that require that insurance policy contractual service margin (CSM) shall not be negative, that has implemented new procedures for policies involving target maturity bond fund investment, and that has lowered the interest rate for insurance policy liability reserve. The pharmaceutical industry is subject to regulation by pharmaceutical laws such as the Pharmaceutical Affairs Act and the Pharmaceutical Good Manufacturing Practice Regulations. However, the regulation landscape continues to evolve and change shape as nations such as the European Union, the US, and Japan continually promulgate and implement stricter measures to ensure

the quality and safety of pharmaceutical products. Among those, data integrity is of paramount importance. In recent years, SCI Pharmtech has taken steps to digitize its management operations and preserve the digital records in databases. At present, the quality management department is introducing a Laboratory Information Management System (LIMS) so data will be preserved, and can be presented, faithfully and thoroughly. As to retail of daily commodities and food, besides the regulations getting more stringent concerning the familiar food sanitation and safety or workplace fire safety inspections, matters relating to workplace sanitation and safety, consumer health and safety, site waste and wastewater disposal, greenhouse gas emission, and energy conservation and carbon reduction have also become important topics for businesses. All businesses of the Company have retained personnel knowledgeable in the pertinent areas of the laws. In addition to the routine handling of legal affairs and monitoring compliance with regulations, our legal affairs personnel also continually pay close attention to changes in government policies or regulations which might potentially affect the Company's finance or operations. We also regularly consult external legal professionals and reinforce compliance with governing legal standards through OTJ training to continue to enhance total quality management.

(III) Economic Environment

Retrospectively, the global economy continued to expand in 2020. According to the preliminary statistics of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's economy grew 3.11% in 2020, higher than the 2.96% in 2019. The domestic retail trade sales and sales of food and beverages grew 1.15% and -4.19%, respectively, according to the statistics of the Ministry of Economic Affairs.

Looking forward, the IMF in January 2021 predicted the 2021 global economic growth rate to be 5.5%. The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan in February 2021 predicted Taiwan's 2021 economic growth rate to be 4.64%, higher than the 3.11% in 2020.

However, it also pointed out the following uncertainties:

1. Globally, whether the pandemic could be under control, vaccines widely distributed, and timetables set for governments to relax the travel ban.
2. Further development of the Sino-American trade war and disputes over technological development.
3. The development and impact of the fiscal and monetary policies of nations.
4. The trends of the oil and raw materials prices and the volatility of the foreign exchange and global securities trading.

Given that the state of the international affairs obviously is still highly unpredictable, although since December 2020 the government economic policies have signaled optimism, indicating an upward trend in Taiwan's economy, under the aforementioned uncertainties it is necessary to keep a close watch on developments in global finance and their ramifications.

IV. The Company's Strategic Plans for the Future

The Company has grown its principal businesses for more than 30 years, striving to be a thriving conglomerate. To grow its businesses steadily, the Company diligently has innovated in thinking and actions to reduce risks in its operations and, under professional management, has not only provided services that meet the society's needs in food, clothing, housing, education, and entertainment, but further hopes to establish our brand as the provider of an enjoyable consumption environment for the population at large.

In that spirit, the Company shall continue to coordinate the Group resources and, adhering to the core value of prudent analyses of investment strategies, pursue investment opportunities under cross-industry partnerships and any possibilities for novel investment projects. Through vertical integration and diversification, the Company shall expand its businesses while assisting the subsidiaries in resources integration, so as to achieve business synergy, scale the scope of operations, maximize shareholder profits, and continue to uphold its corporate social responsibilities. We appreciate shareholders' unwavering confidence and support.

Chairman and General Manager: Chen, Shiang-L

Chief Accountant: Chen, Te-Kai

II. Company Profile

1. Date of founding: February 19, 1965

2. Company history

1965	Company founded with a capital of NT$ 500,000. The primary business was the export of hand-made goods.
1975	Domestic BU established, distributing mail order catalogs for mail order businesses.
1976	Established the first 5 Mercuries Department Stores of the Mercuries franchise. Increased capital to NT$ 32 million. Established the Mercuries Feimous Ltd.
1980	Mercuries Feimous Ltd. was renamed as Mercuries Data Systems Ltd.
1982	Established the catering service BU with Chinese food service franchises. Established a bonded warehouse and increased capital to NT$ 150 million.
1983	Mercuries Fastfood Restaurant established by the Catering BU.
1984	Mercuries Fastfood Restaurant of the Catering BU was renamed Qiqi Chiao-Fu.
1985	Constructed a warehouse at Nankan for delivering goods to Mercuries department stores within the country.
1986	Director-based corporate management restructured to a president-based system. Capital increased to NT$ 401 million. Qiqi Chiao-Fu of the Catering BU renamed to Mercuries Food Chain.
1987	Mercuries Tower opened for service. The 1st Mercuries Taiwan Masters Invitational Golf Tournament. Capital increased to NT$ 501.25 million. Established the Technology BU to serve as a distributor of electronic parts.
1988	Mercuries & Associates, Ltd became a listed company. Capital increased to NT$ 802 million.
1989	Mercuries Food Chain established a central kitchen at Dayuan to provide standardized and quality food production to storefronts across Taiwan. Established the Mercuries Tigers baseball team as well as the Library of Chinese Dietary Culture. Capital increased to NT$ 1,002.50 million.
1990	Established the Food Division to serve as a sales agent in Taiwan for Kirin Brewery Company of Japan. Capital increased to NT$ 1,303.25 million. Implemented the 5-day workweek system.
1991	Issued convertible corporate bonds worth a total of NT$ 600 million. Capital increased to NT$ 1,433.57 million. Established the Family Shoes limited company to manage shoes retailing. Completion of the Chiayi business tower.
1992	Completion of the Luodong and Hualien business towers. Capita increased to NT$ 1,785.63 million.
1993	Established the Mercuries Life Insurance Co., Ltd.

1994	A total of 100 Mercuries Food Chain storefronts were established. Business revenue of Mercuries & Associates, Ltd exceeded NT$ 10 billion.
1995	Technology BU split off to become an independent entity. Joint venture with Avnet (a US company) to establish the Avnet-Mercuries Co., Ltd. to include the high-tech sector within the business scope of the corporation.
1996	Joint issuance of loyalty card by Mercuries Department Store and CTBC Bank.
1997	Recapitalization of capital reserve and retained earnings of NT$ 81.81 million and NT$ 259.05 million respectively. Capital increased to NT$ 3,749.45 million.
1998	Recapitalization of retained earnings of NT$ 374.95 million. Capital increased to NT$ 4,124.40 million. Conversion of the Nankan Warehouse of the Department Store to an automated warehouse and logistics center completed. The converted center became operational for service.
1999	Recapitalization of retained earnings of NT$ 206.22 million. Capital increased to NT$ 4,330.62 million. US$ 4.8 million investment in Shanghai Mercuries Food Chain approved by the Ministry of Economic Affairs (MOEA). Mercuries Food Chain established a new distribution center at Taichung Industrial Park.
2000	Recapitalization of retained earnings of NT$ 433.06 million. Capital increased to NT$ 4,763.68 million. Securities & Futures Institute approved the 1st issuance of secured corporate bond worth a total of NT$ 800 million. Listing of the Mercuries Data Systems Ltd. (MDS).
2001	Invested NT$ 294.52 million in SCI Pharmtech Inc. Joint venture with the UK company of MFI to establish the Mercuries Furniture Co., Ltd. furniture retailer franchise. MERCURIES & ASSOCIATES, LTD extinguished treasury stocks and reduced capital by NT$ 115.76 million.
2002	Merger and consolidation with Family Shoes limited company.
2003	Recapitalization of retained earnings of NT$ 718.38 million. Capital increased to NT$ 5,507.58 million. MERCURIES & ASSOCIATES, LTD. extinguished treasury stocks and reduced capital by NT$ 200 million.
2004	Listing of SCI Pharmtech Inc. Recapitalization of retained earnings of NT$ 106.15 million. Capital increased to NT$ 5,413.73 million. President Chen, He-tung passed away. Chen, Shiang-Li succeeded him as the next Chairman.
2006	Proprietary brand of TonKaTsu established, a franchise chain serving Japanese-style fried pork chop. Established the En Route casual footwear retailer franchise. Invested in Mercuries Simple Mart International Ltd. and established the Simple Mart retailer franchise.

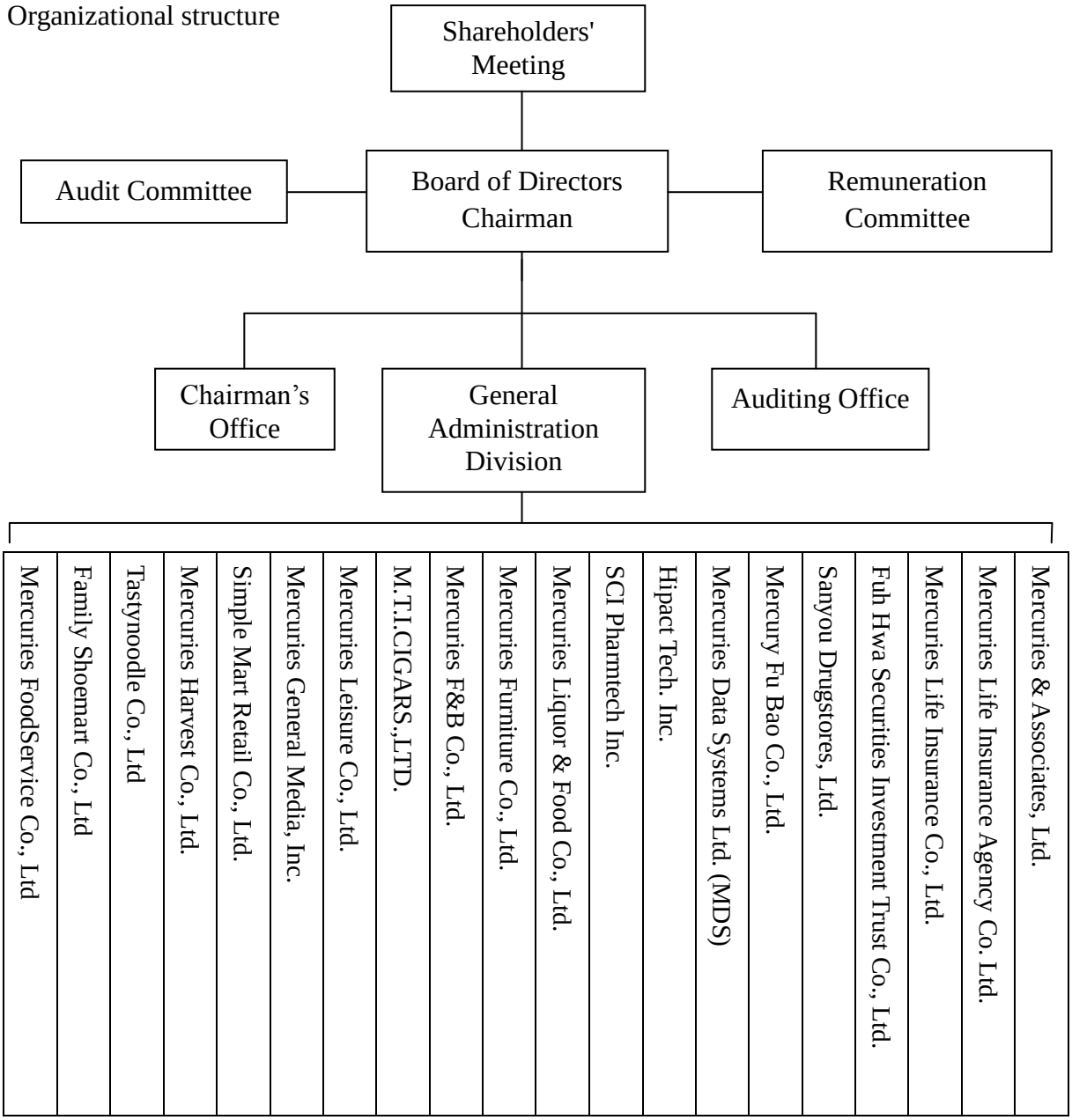
2007	Invested in Mercuries Bakery Co., Ltd. as the agent for the American brand of Dunkin' Donuts as well as a retailer franchise for American snacks.
2008	The subsidiary of Mercuries Bakery became the official agent for the American brand of Dunkin' Donuts in Shanghai, Mainland China.
	Recapitalization of retained earnings of NT$ 264.92 million. Capital increased to NT$ 5,678.65 million.
	Joint venture with the Japanese company of Asahi Breweries, Ltd. to establish Asahi & Mercuries Co., Ltd.
	Extinguished treasury stocks and reduced capital by NT$ 198.91 million. Capital reduced to NT$ 5,479.74 million.
2010	Recapitalization of retained earnings of NT$ 269.99 million. Capital increased to NT$ 5,749.73 million.
	Invested in Mercuries Life Insurance. Shares held increased from 27.5% to 55.4%.
2011	Short form merger with wholly (100%) owned subsidiary Mercuries Simple Mart International Ltd.
	Recapitalization of retained earnings of NT$ 340.19 million. Extinguished treasury stocks worth NT$ 25.18 million. Capital increased to NT$ 6,064.74 million.
2012	Joint venture with the Japanese company of Sumitomo Corporation to establish Sanyou Drugstores, Ltd.
	Recapitalization of capital reserve of NT$ 242.59 million. Capital increased to NT$ 6,307.33 million.
2013	Joint venture with the Japanese company of Monteur Holdings Co., Ltd. to establish Monteur & Mercuries Co., Ltd.
	Recapitalization of retained earnings of NT$ 504.59 million. Issued restricted employee shares worth NT$ 1.91 million. Capital increased to NT$ 6,813.83 million.
2014	Mercuries Food Service Japan, Ltd. established in Japan.
	Restricted employee stocks worth NT$ 140,000 canceled. Paid-in capital reduced to NT$ 6,813.69 million.
2015	Transformed to an investment holding company.
	The original company name of Mercuries & Associates, Ltd was changed to Mercuries & Associates Holding, Ltd. A separate wholly-owned subsidiary named Mercuries & Associates, Ltd. was established.
	Restricted employee stocks worth NT$ 280,000 canceled. Paid-in capital reduced to NT$ 6,813.41 million.
2016	Recapitalization of retained earnings of NT$ 340.67 million. Restricted employee stocks worth NT$ 90,000 canceled. Capital increased to NT$ 7,153.99 million.

2017	Mercuries & Associates, Ltd. split 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 split 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.
2020	Recapitalization of retained earnings of NT$826.68 million. Capital increased to NT$9,093.51 million.
	Asiandawn Ventures Inc. has been dissolved at May 26, 2020.
	Mercuries Rich has been dissolved at July 27, 2020.
	The Company and subsidiary Simple Mart Retail Co., Ltd. have obtained 50% Sanyou Drugstores Ltd.'s equity, resulting in the Group's holding of Sanyou Drugstores Ltd.'s equity has reached 100%.
2021	On January 25, 2021, convertible bonds of NT$2.3 billion were listed.
	On January 27, 2021, the subsidiary Mercuries & Associates, Ltd. and Bor Nor Co., Ltd. each invested 50% to establish a joint venture Sanor Co., 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, indepenent 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 Indepenent Directors

April 27, 2021

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%	187,146,480 *25,086,542	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,, Mercuries & Associates, Mercuries Data Systems Ltd., 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 ; 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, Shiang-Chung	Male	107.06.22	3 years	103.01.15	157,530,708 *15,013,384	20.58% *1.96%	187,146,480 *17,835,899	20.58% *1.96%	1,002,778	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, Shiang-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%	129,054,542 *6,694,058	14.19% * 0.74%	124,779	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%	187,146,480 *5,561,085	20.58% * 0.62%	85,643	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. Supervisor of Sun Spark 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
Director	Republic of China	Fang, Cheng-Yi (Note1)	Male	107.06.22	3 years	72.10.03	* 5,961,052	* 0.78%	0	0	0	0	0	0	Bachelor of Business, National Taiwan University President, Avnet Asia Pte Ltd.,Taiwan Branch	Chairman of De Cheng Culture and Art Foundation; Director , 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 Shanglin Investment Co., Ltd.: Cheng, I-Teng	Male	107.06.22	3 years	107.06.22	157,530,708 *0	20.58% *0	187,146,480 *0	20.58% *0	2,327	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 Supervisor of Fun2 Studio Co., Ltd. Director of Xubao Technology (Shanghai) Co., Ltd Visionary Group Capital Management Limited Responsible Officer	-	-	-

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. and Pharmaengine Inc. Director , Coretronic Corp. and So-Cayenne Mobile Entertainment Co.,Ltd. Independent Director ,SCI Pharmtech Inc. Supervisor, Foresee Pharmaceuticals Co., Ltd. and Shangda Investment 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.,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., Omniquest Industrial Ltd., ISE Labs, Inc., Super Zone Holdings Ltd., and Huntington Holding International Co., Ltd. Supervisor, ASE (Korea) Inc., ASE (Shanghai) Inc., ASE (Weihai) Inc., ASE (Kunshan) Inc. and ASE Assembly and Test (Shanghai) Ltd. Member of Audit Committee of the Company Member of Remuneration Committee of the Company	-	-	-

Note(1)：Fang, Cheng-Yi was dismissed on 30 November 2020.

(2) Major shareholders of the institutional shareholders

March 31, 2021

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

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

March 31, 2021

Name of the institutional shareholders	Major shareholders of the institutional shareholders	Shareholding percentage
Shanghong Investment Co., Ltd.	Chen, Shiang-Li	24.24%
	Shanglin Investment Co., Ltd.	24.85%
	Chen, Shiang-Chieh	15.03%
	Chen, Shiang-Feng	15.03%
	Chen, Shiang-Chung	10.67%
	Hsu, Chang-Hui	5.82%
	Wang, Te-Pin	4.36%
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, 2021

Condition / Name	Does the individual have more than 5 years of professional experience and the following qualifications?			Compliant to the requirements of independence (Note 1)												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(1)			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, I-teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Independent Directors:																
Lee, Mao	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Tu, Te-cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jeffrey Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note (1) : Fang Cheng-Yi was dismissed on November 30, 2020.

(2): 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 27, 2021

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	25,086,542	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, Mercuries & Associates, Mercuries Data Systems Ltd., 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 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	184,125	0.02%	0	0	0	0	Bachelor of Economics, Fu Jen Catholic University Manager, Corporate Services Department, Mercuries & Associates, Ltd.	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 Managerand Principle accounting officer	Republic of China	Chen, Te-Kai	Male	November 14, 2014 July 30, 2009	65,916	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

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

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.

(1) Remuneration to Directors and Independent Directors (aggregate remuneration with name(s) indicated for each remuneration range)

Unit: Thousand NT$ / Thousand shares

Title	Name	Director's remuneration								Proportion of net income after summing items A, B, C, and D		Employee remuneration for other activities												Proportion of net income after summing items A, B, C, D, E, and F		Receives remuneration from other non-subsidiary companies that the Company has invested in or parent company
		Remuneration (A) (Note 1)		Retirement pension (B)		Director's Remuneration (C) (Note 3)		Business execution fees (D)				Salaries, bonuses, and special expenses (E)		Retirement allowance (F) (Note 2)		Employee remuneration (G) (Note 3)				Number of shares that may be purchased through the employee stock warrant (H)		Restricted employee shares acquired (H)				
																The Company		All companies listed in this Financial Report								
		The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	The Company	All companies listed in this Financial Report	Sum of cash bonus	Sum of share bonus	Sum of cash bonus	Sum of share bonus	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	
Chairman	Shanglin Investment Chen, Shiang-Li	0	0	0	0	5,500	8,510	450	570	0.43%	0.65%	8,900	23,142	0	108	700	0	4,972	0	0	0	0	0	1.11%	2.67%	None
Director	Shanglin Investment Chen, Shiang-Chung																									
Director	Shanglin Investment Mao, Ming-Yu																									
Director	Shuren Investment Wong, Wei-Chyun																									
Director	Fang, Cheng-Yi (Note 4)																									
Director	Shanglin Investment Cheng, I-teng																									
Independent director	Lee, Mao	0	0	0	0	3,000	3,300	240	240	0.23%	0.25%	0	0	0	0	0	0	0	0	0	0	0	0	0.23%	0.25%	None
Independent director	Tu, Te-cheng																									
Independent director	Jeffrey Chen																									

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

Note 1: The Independent Directors of the Company do not receive any salary but an honorarium for participating in the Board of Directors meeting as well as Directors' compensation distributed in accordance with to the Company's Articles of Incorporation and approval by the Board of Directors. If there are no significant differences in the responsibilities, risks, and time invested by Independent Directors, in principle, each Director's compensation will be the same.

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.

Note 3: On March 31 2021, the Company's Board of Directors approved the distribution of compensation to Directors and employees in the amounts of NT$8,500 thousand and NT$15,400 thousand, respectively.

Note 4: Fang, Cheng-Yi was dismissed on November 30, 2020.

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 Fang, Cheng-Yi (Note1)	Fang, Cheng-Yi (Note1)	Fang, Cheng-Yi (Note1)	Fang, Cheng-Yi (Note1)
NT$ 1,000,000(inclusive) to NT$ 2,000,000	Shanglin Investment Representative of Shanglin Investment: Chen, Shiang-Chung, Mao, Ming-Yu and Cheng, I-teng, Representative of Shuren Investment: Wong, Wei-Chyun Lee, Mao, Tu, Te-cheng and Jeffrey Chen	Shanglin Investment Representative of Shanglin Investment: Chen, Shiang-Chung, Mao, Ming-Yu and Cheng, I-teng, Representative of Shuren Investment: Wong, Wei-Chyun Lee, Mao, Tu, Te-cheng and Jeffrey Chen	Shanglin Investment Representative of Shanglin Investment: Chen, Shiang-Chung, Mao, Ming-Yu and Cheng, I-teng, Representative of Shuren Investment: Wong, Wei-Chyun Lee, Mao, Tu, Te-cheng and Jeffrey Chen	Shanglin Investment Representative of Shanglin Investment:: Mao, Ming-Yu and Cheng, I-teng, Lee, Mao, Tu, Te-cheng and Jeffrey Chen
NT$2,000,000(inclusive) to NT$ 3,500,000	-	Representative of Shanglin Investment: Chen,Shiang-Chung,	-	-
NT$3,500,000(inclusive) to NT$ 5,000,000	-		-	-
NT$ 5,000,000 (inclusive) to NT$ 10,000,000	-	-	Representative of Shanglin Investment: Chen, Shiang-Li	-
NT$ 10,000,000 (inclusive) to NT$ 15,000,000	-	-		Representative of Shanglin Investment: Chen, Shiang-Li and Chen, Shiang-Chung Representative of Shuren Investment: Wong, Wei-Chyun
NT$ 15,000,000 (inclusive) to NT$30,000,000	-	-	-	-
Other range: NA	-	-	-	-
Total	10	10	10	10

Note：Fang Cheng-Yi was dismissed on November 30, 2020.

(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		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	The Company	All companies listed in this Financial Report	
								Cash Sum	Shares Sum	Cash Sum	Shares Sum							
General Manager	Chen, Shiang-Li	8,100	8,100	207	207	10,080	12,500	1,450	0	1,450	0	1.42%	1.59%	0	0	0	0	None
Assistant General Manager	Wang, Chih-Hua																	
Assistant General Manager	Chen, Te-Kai																	

Note 1: Refers to the number of withdrawals made for this year.
Note 2: The figure in this column includes book cost of the vehicle as well as rental expense for the assigned vehicle.
Note 3: The board meeting of March 31, 2021, approved the issuance of employees' compensation of NT$ 15,400,000.

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	Chen, Te-Kai	Chen, Te-Kai
NT$ 3,500,000 (inclusive) to NT$ 5,000,000	-	-
NT$ 5,000,000 (inclusive) to NT$ 10,000,000	Chen, Shiang-Li、Wang, Chih-Hua	Wang, Chih-Hua
NT$ 10,000,000 (inclusive) to NT$ 15,000,000		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

Unit: Thousand NT$

	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	1,450	1,450	0.10%
	Assistant General Manager	Wang, Chih-Hua				
	Assistant General Manager	Chen, Te-Kai				

Note: The board meeting of March 31, 2021, approved the issuance of employees' compensation of NT$ 15,400,000.

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	
	2021	2020	2021	2020
Directors and Independent director	1.34%	0.81%	2.92%	1.59%
General Managers and Assistant general managers	1.42%	0.66%	1.59%	0.66%

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 increased compared with last year, mainly because of a decrease about 60% 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 8 Directors' Meetings were held in the most recent fiscal year (2020). 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	8	0	100%	-
Director	Shanglin Investment Chen, Shiang-Chung	6	0	75%	-
Director	Shanglin Investment Mao, Ming-Yu	8	0	100%	-
Director	Shuren Investment Wong, Wei-Chyun	8	0	100%	-
Director	Fang, Cheng-Yi (Note)	7	0	88%	-
Director	Shanglin Investment Cheng, I-teng	8	0	100%	-
Independent director	Lee, Mao	8	0	100%	-
Independent director	Tu, Te-cheng	8	0	100%	-
Independent director	Jeffrey Chen	7	1	88%	-

Other items that shall be recorded:

1. For any item listed in Article 14 Paragraph 3 of the Securities and Exchange Act as well as any other issues where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ, and have been submitted to the Directors' Meeting for resolution, the date, session, topic discussed, opinions of every independent directors, and the Companys' handling of the opinions of the independent directors:
   (1) Any matter listed in Article 14-3 of the Securities and Exchange Act: Independent directors did not provide any opinions during the 8 board meetings held in 2020.
   (2) In addition to the aforementioned matters, any other resolutions from the board meetings where an independent director expressed a dissenting or qualified opinion that have been recorded or stated by writ: None.
2. For the implementation and state of director's recusal for conflict of interest, the director's name, contents of the topic, reasons for the required recusal, and participation in the voting process:
   (1) For the second proposal for the adoption of managers' compensation among the discussion items in the Board meeting on January 10, 2020, Director Chen, Shiang-Li did not participate in the vote due to the conflict of interests.
   (2) For the proposal 1 and 2, the adoption of directors' compensation and the adoption of managers' compensation among the discussion items in the Board meeting on March 27, 2020, Director Fang, Cheng-Yi and Chen, Shiang-Li did not participate in the vote due to the conflict of interests respectively.
3. Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented:
   (1) For all Directors, the total number of training hours was 66 in 2020.
   (2) State of communication between Independent Directors, the internal auditor officer, and the CPAs (shall include material matters, methods, and results of communication pertaining to corporate finances and business operations):
      A. In 2020, the chief internal auditor attended 4 Board meetings as a nonvoting participant to report the results of internal audits and communicate with independent directors face-to-face. In 2020, independent directors provided no recommendations for internal controls.
      B. The CPAs attended the Board meetings on March 27, May 15, August 14, and November 13, 2020, and the shareholders' meeting on June 18, 2020 as nonvoting participants to communicate with independent directors face-to-face about corporate governance, key audit items for the year, the operating status, and the independence of the CPAs. Independent directors made no comments on the aforesaid issues.
      C. Contact information of independent directors, the internal auditor officer, and the CPAs is provided to facilitate communication.

Note：Fang Cheng-Yi was dismissed on November 30, 2020.

B. Attendance of independent directors in board meetings in 2020:

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

2020	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting	Eighth Meeting
Lee, Mao	◎	◎	◎	◎	◎	◎	◎	◎
Tu, Te-cheng	◎	◎	◎	◎	◎	◎	◎	◎
Jeffrey Chen	◎	◎	◎	※	◎	◎	◎	◎

C. The 2020-year Board review was completed on 31 March 2021as follows:

Evaluation cycle	During the evaluation	Scope	How to evaluate it	Content
Once a year	2020	1. Board of directors 2. Individual directors 3. Functional Committee	1.Internal self-assessment by the Board of Directors 2. Self-assessment by members of the Board	The items for evaluating and evaluating vouchers shall be determined in accordance with the self-assessment or peer evaluation appraisal method of the Board of Directors.

D. Self-assessment results of 2020 members of directors:

Director	Number	Comments
Chen, Shiang-Li	98.2	None
Chen, Shiang-Chung	90.4	None
Mao, Ming-Yu	99.2	None
Wong, Wei-Chyun	98.2	None
Cheng, I-teng	99.2	None
Lee, Mao	98.2	None
Tu, Te-cheng	94.8	None
Jeffrey Chen	94.0	None

(2) Operations of the Audit Committee

A total of 6 Audit Committee meetings were held in 2020. 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	6	0	100%	-
Independent Director	Tu, Te-cheng	6	0	100%	
Independent Director	Jeffrey Chen	5	1	83%	-

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
2020.2.26	10th meeting of 1st-term	Since January 1, 2020, the company and its subsidiaries will change from the cost model to the fair value model for the subsequent appraisal of the Company's investment-based real estate.	Passed by all independent directors.
2020.3.27	11th meeting of 1st-term	(1)To approve 2019 Business Report and Financial Statement. (2)To approve the Company's 2019 earning distribution. (3)To approve the Company's statement of internal control for 2019. (4)To amend "Management of the procedures for preparation of financial statements". (5) To amend " Articles of Incorporation ","Rules and Procedures of Shareholders Meeting", "Procedures for Acquisition and Disposal of Assets", "Procedures for Endorsement and Guarantee", "Procedures for Lending Funds to Other Parties", "Remuneration Committee Charter", "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Codes of Ethical Conduct" and "Ethical Corporate Management Best Practice Principles". (6)Review the internal audit report.	Passed by all independent directors.
2020.5.15	12th meeting of 1st-term	(1)To approve the change of audit CPAs. (2)To approve the independent evaluation of CPAs. (3)To approve the Q1 2020 financial statements. (4)Review the internal audit report.	Passed by all independent directors.
2020.8.14	13th meeting of 1st-term	(1)To approve the Q2 2020 financial statements. (2)Review the internal audit report.	Passed by all independent directors.
2020.10.15	14th meeting of 1st-term	To approve the purchase of common stock of Sanyou Drugstores Ltd. from Sumitomo Corporation.	Passed by all independent directors.
2020.11.13	15th meeting of 1st-term	(1)To approve the first issue of unsecured convertible corporate bonds. (2)To approve the subscription of Mercuries Life Insurance Co., Ltd.'s capital increase. (3)To approve 2020 audit fees. (4)To approve 2021audit plan. (5)To approve the Q3 2020 financial statements. (6)Review the internal audit report.	Passed by all independent directors.

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
2020.3.27	11th meeting of 1st-term	Review the internal audit report.	Discuss 2019 financial statements and communication matters during the completion phase.
2020.5.15	12th meeting of 1st-term	Review the internal audit report.	Discuss Q1 2020 financial statements and communication matters during the completion phase.
2020.8.14	13th meeting of 1st-term	Review the internal audit report.	Discuss Q2 2020 financial statements and communication matters during the completion phase.
2020.11.13	15th meeting of 1st-term	Review the internal audit report. To approve 2021 audit plan.	Discuss Q3 2020 financial statements and communication matters during the completion phase. Communication of the 2020 annual financial statements 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 164 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 2020 were reported in the Board meeting on March 31, 2021. A total of 8 Board meetings were convened in 2020 with the average attendance of 94%, which is above the standard for the evaluation of the Board's performance (convention of 4 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 2020.	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, 2020. 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.	The Company will set up a corporate governance supervisor by June 2021.

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)?			The Company has established the Employee Welfare Committee to stipulate adequate employee welfare plans as well as provision of bonuses for marriage, funerals, childbirth, and other celebrations. On-job training for employees was also carried out on suitable occasions to generate positive relationships with employees.	
			(3) Investor relations: The Company fully disclosed information on the company website to allow investors to understand its operation instantly. The Company communicated with investors through shareholders' meetings, investor conferences, and a spokesperson system.	None
			(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.	None
			(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.	None
			(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 54 of this Annual Report.	None
			(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	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	
			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 140 of this Annual Report. (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. (9) The Company has completed the purchase of liability insurance of US$5 million for Directors in May 2021, and reported to the Board of Directors on the insured Amount and the coverage.	None None
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		(1) According to the result of the 7th Corporate Governance Evaluation published by Taiwan Stock Exchange Corporation, the Company was ranked 51%-65%. (2) Evaluation items where the Company did not gain any points and state of improvement: 1. The Company’s website did not disclose the specific implementation status of preventing insider trading. Improvement status: The status of implementation will be disclosed in the future. 2. Members of the Remuneration Committee failed to attend at least two meetings. Improvement status: The status of implementation will be disclosed in the future. 3. Disclosure of communication between the Independent Directors, the Company's chief internal auditor, and CPAs Improvement status: The status of implementation will be disclosed in the future.	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	
			4. No corporate governance officer has been engaged yet. Improvement status: A corporate governance officer will be engaged by the end of June 2021. 5. 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 status of implementation will be disclosed in the future. 6. The Company has government agency or a single juristic organization or its subsidiary accounted for more than one third of the Board. Improvement status: The status of implementation will be disclosed in the future. 7. The Company does not voluntarily establish more Independent Director seats than required by regulation. Improvement status: The status of implementation will be disclosed in the future. 8. The Company has not established the appointment, termination, appraisal, and remuneration policy of the Company's internal auditors, which have not been either submitted to the Board of Directors or submitted by the head of internal audit to the Chairman for approval, not has it been disclosed on the Company website. Improvement status: The status of implementation will be disclosed in the future. 9. Did not upload the English version of the annual financial statements to MOPS 7 days prior to the Annual Shareholders' Meeting. Improvement status: The status of implementation will be disclosed in the future. 10. The Company's financial statements were not approved by the Board of Directors or not reported to Board of Directors 7 days prior to the due date of announcement. The Financial statements were not announced on approval date or one day within the approval date. Improvement status: The status of implementation will be disclosed 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	
			11.The Company did not voluntarily disclose the respective remuneration of Directors, President, and Vice Presidents. Improvement status: The status of implementation will be disclosed in the future. 12.Other items where the Company did not gain any points and state of improvement. The Company did not convene the Annual Shareholders' Meeting before the end of May and did not implement the Board diversity policy; the Chairman and the President are the same person; there is not at least one female member in the Board of Directors; the succession plan for the Board members and the management has not been formulated; there is no functional committee other than statutory ones; 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 International Certified Internal Auditor, Certified Information Systems Auditor, or CPA certificate; failed to publish the annual financial statements within two months after the end of the fiscal year; failed to disclose English annual and interim financial statements; did not voluntarily disclose quarterly financial forecast; no company website in English has been established; the Company failed to hold or failed to be invited to at least two investor conferences; did not establish exclusively (or part-time) dedicated unit for promoting ethical corporate management; no human right protection policies and specific management plans were formulated; no collective agreement was signed with the union in accordance with the Collective Agreement Act; no disclosure of annual carbon dioxide emission or other greenhouse gases were disclosed in the past two years; did not disclose establishment of the ethical management policy, specific measures and plans, and prevention programs against unethical conduct; no whistleblowing system was established; did not establish risk management policy and procedure approved by Board of Directors, disclose scope of risk management, organization structure and its operation; did not establish intellectual property management plan that	

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	
			connects with operation goal, disclose the execution at the Company's website or in the annual report, and report to Board of Directors at least once a year; did not establish a designated or part-time corporate social responsibility department, perform risk assessment of environment, social, or corporate governance issues that relate to the Company's operation according to materiality principle, and establish related risk management policy or strategy and disclose it at the Company's website or annual report; did not disclose the annual greenhouse gas emission, water consumption, and total weight of waste in past two years. Improvement status: The Company will, by considering internal policies and costs of implementation, carry out the items as required.	

(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 (2020), a total of 2 remuneration committee meetings were held. The following lists member qualifications and presence for these meetings:

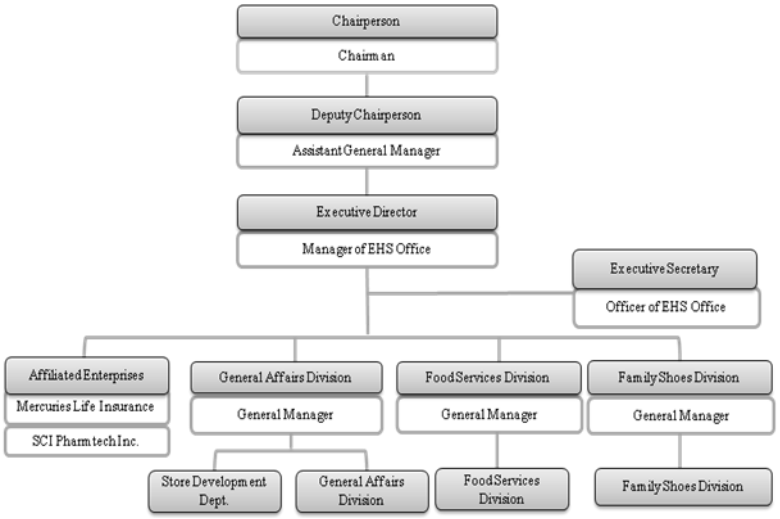
Title	Name	Attendance in person	Attendance by proxy	Attendance Rate in person (%)	Note
Committee chair	Lee, Mao	2	0	100%	-
Member	Tu, Te-cheng	2	0	100%	-
Member	Jeffrey Chen	2	0	100%	-

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 2020 CSR report is currently under core option review by the British Standards Institution (BSI) Taiwan Branch through GRI Standards. The review is expected to be completed in June 2021. The scope of the CSR report includes the Company's main subsidiaries, namely Mercuries & Associates, Ltd., Mercuries F&B Co., Ltd., Mercuries Life Insurance Co., Ltd., SCI Pharmtech, Inc., and Simple Mart Retail Co., Ltd. Mercuries Life Insurance Co., Ltd. and SCI Pharmtech, Inc. have prepared their own CSR reports. Please refer to the corporate social responsibility section of respective Companies' website for the CSR reports.	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		(2)  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.		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) Completed the conversion of ISO50001 to receive ISO50001 new version of management system certification, which was reviewed and approved by BSI Pacific Limited Taiwan Branch. This year, Mercuries F&B Co. also introduced ISO50001 to the head office and the Zhuangjing store, a demonstration store under Napoli; the inspection was passed, and the ISO 50001 management system certification was successfully obtained in November 2019. The re-assessment was passed in October 2020 to ensure the continuous improvement and effective execution of energy management system. 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. Due 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 1,794,100 kWh (6,458,760 million joules) in 2020, a decrease of 251,280 million joules compared with 2019, and the power density was reduced by 4% compared with 2019. 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. The waste clean-up and transport volume of Mercuries F&B Co. Dayuan Central Kitchen Complex was 274.3 tons, with 132.1 tons of recyclable and reusable resources, approximately 48%, 28,026 tons of waste (sewage) water treatment, 35.71 tons of sludge clean-up and transport, and the average COD value and SS value for the effluent did not exceed the control standard. The waste oil cleaned up from the Mercuries F&B Co. catering outlets was approximately 551 tons in total. The Family Shoes Business Division has voluntarily implemented the carton recycle system at stores, cooperating with the logistics and cargo transportation system as a long-term practice. The recycle rate is 70% in 2020. The recycled cartons can be re-used four to six times.	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 an 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 2020, it has obtained the certificate of injury-free working hours for the fourth consecutive times and was also awarded the "Excellent Healthy Workplace 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, the Company works with hospitals recognized by the Ministry of Labor to organize the annual health examination for employees. According to the results of the health examination, health promotion courses are planned; employees may also consult on-site physicians in person or by phone or e-mail. To prevent employees from illegal prejudice during the performance of their duties, the Company made the workplace violence prevention plan and included it in orientation training for new employees.	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		(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. Employees are provided with training courses based on their positions, and training courses are developed based on the organizational development, including internal lecturer training, management training, and professional training. Training is provided based on the concept of lifelong learning. Through a series of in-service training courses, employees can acquire core functions required for promotion. In addition, an e-learning platform is established to offer diverse and flexible learning environments that improve efficiency and competence.	None.
(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		(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.	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		(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. 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 & HACCP, are prioritized to ensure food safety together. In 2020, the Company cooperated with 65 suppliers (including six foreign suppliers that have passed system verification), of which 38 were domestic suppliers with one system certification. Those who purchased products that met internationally recognized product liability standards accounted for 63% of the total procurement. In addition, there were 27 food (ingredient) suppliers that have not yet been certified by the system as the quantity	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	
			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 28 suppliers have begun to establish a food safety system. Family Shoes business unit has set up the standards for supplier management. Only suppliers passed the assessment will be included in the List of Qualified Suppliers. A supplier's impact on the environment and society is assessed as follows: 1. Whether a supplier has a license to operate. 2. Whether materials used by a supplier comply with company policy and government regulatory requirements. 3. Suppliers shall have the ability to handle various pollutants produced during the production process, and shall have related software or hardware equipment for the same purpose. A total of 85 suppliers were evaluated by the Family Shoes Business Department in 2020. The evaluation rate is 8% higher than 2019. There were 30 grade A excellent suppliers (35% of total suppliers) and 52 grade B qualified suppliers (61% of total suppliers). 3 suppliers were below grade C, which the Company had terminated the business with them. 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.	
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? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?	V		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). The Company's 2020 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 Standard, at the same time, the AA 1000 AS guarantee standard is obtained. The 2020 CSR report is currently under review by BSI Taiwan and is expected to be completed in June 2021. The Company has set up a website and will disclose the CSR report and relevant CSR information in the CSR section of the website.	None.

Assessed Items	State of Operations			Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Root Causes
	Yes	No	Summary	
6. 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: Based on the intention of "Taken from society. Give back to society", the Company and subsidiaries pay attention to public issues, care for the underprivileged, actively organize and participate in public welfare activities, fulfill the responsibility of corporate citizens and give back to the society. The relevant information is summarized below: (1) To fulfill the principle of giving back to society, the Company calls on employees to participate in social welfare activities as volunteers. (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. (3) Mercuries Life Insurance Co., Ltd. has long devoted in social welfare activities, paid attention to the underprivileged, and continued to spread warmth and care to every corner of the society. The following awards were received in 2020: 1. Gold Award (sponsorship category), Long-term Sponsorship Award, and Bronze Award (promotion category) in Sports Activist Awards. 2. Awarded "Micro Insurance Competition – Performance Excellence Award", "Micro Insurance Competition – Sustainable Caring Award" and "Small-Amount-Whole-Life Insurance – Good Performance Award". 3. The Company won the Taiwan Corporate Sustainability Award: "Corporate Sustainability Report--Finance and Insurance Industry Bronze Award". 4. Awarded by Smart Rich Magazine Insurance Policy Selection - Recommended premium policies. 5. "Top 10 Outstanding Commodities" in the 20th Golden Peak Awards 6. Won the "Best Product Award" in the National Brand Yushan Award. (4) For 13 consecutive years since the beginning of 2008, Mercuries F&B Co., Ltd. provided care to the children at elementary schools in rural areas and hosted charity beef noodle feast. Those rural areas are far away such as Hualien, Pingtung, Yilan, and even Ali Mountain. In 2020, the brand-name voluntary cooking team devoted NT$40,000 and served approximately 430 individuals in 7 social welfare organizations in 5 counties and cities. (5) Since its establishment, Family Shoes became a participant of the Single Shoes Bank to benefit those with only one leg. (6) To prevent the waste of food due to goods return and unnecessary carbon emissions during the goods return process, Simple Mart Retail Co., Ltd. worked with Food Bank to increase the "food" cycle. The Cherish Food program was launched in November 2018. 10 stores in Zhongzheng Dist and Wanhua Dist of Taipei City worked with Zhongcin neighborhood Chief of Village Ho-Sheng Fang in the program, and the Company planned to expand the program to other districts in Taipei City. From November 2018 to the end of March 2021, donation of goods amounted to approximately NT$320 thousand, representing a total weight of over 3,000 kg. (7) In July 2019, the Simple Mart opened the "Friendly Contribution Stores" in order to eliminate waste of goods. "No return policy" started since 2017. The "Friendly Contribution Stores" were officially opened at Tucheng Dist., New Taipei City, and Qionglin Township, Hsinchu County in July, 2019. The purpose of the stores are to centralize goods that will no longer be sold. Every month, 40 items in average are discontinued in ordinary stores and transferred to the Friendly Contribution Stores, and are sold at 70% discount. Consumers can obtain goods they or their family need at a more affordable price, encouraging savings and sustainable recycling of resources. (8) The Foundation of Chinese Dietary Culture provided scholarships for master and doctoral papers. (9) 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.				

(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	
1. Stipulating policies and plans for ethical corporate management				
(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?	V		(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.	None.
(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"?	V		(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.	None.
(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?	V		(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.	None.
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and its trading counterpart clearly provide terms on ethical conduct?	V		(1) The Company tends to blacklist any supplier without ethical conduct. All external contracts are reviewed by our legal department. All contractual terms are also stipulated according to ethical principles.	None.
(2) Has the company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at		V	(2) The Company has not set up a dedicated corporate governance unit to implement ethical corporate management and report to the Board of	The Company will prudently conduct evaluation and plan

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	
least once a year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?			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.	to set up a dedicated unit to promote ethical corporate management.
(3) Has the Company established policies preventing conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?	V		(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.	None.
(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?	V		(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.	None.
(5) Does the Company regularly organize internal and external training courses on ethical corporate management?	V		(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.	None.
3. Status for enforcing whistle-blowing systems in the Company				
(1) Has the Company established concrete whistle-blowing and reward systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case reported by the whistle-blower?		V	(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.	A concrete whistle-blowing and reward systems will be carefully assessed and established.
(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?	V		(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.	None.
(3) Has the Company adopted protection against inappropriate disciplinary actions against the whistle-blower?	V		(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.	None.

Assessed Items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and Causes of the Said Gaps
	Yes	No	Summary	
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 2020:

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	2020/10/29	2020/10/29	Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management	3	6
				2020/7/17	2020/7/17	Insurance Business Development Center	International Anti-corruption and Whistleblower Protection Practices: Discussions on Anti-money Laundering and Combating the Financing of Terrorism	3	
Corporate Director Representative	Chen, Shiang-Chung	2018/6/22	2014/1/15	2020/11/13	2020/11/13	Taiwan Corporate Governance Association	Fast-Changing Semiconductor Industry	3	6
				2020/4/10	2020/4/10	Taiwan Corporate Governance Association	Audit Transformation and Value Enhancement: From Big-data Audit to Risk Intelligence Dashboard	3	
Corporate Director Representative	Wong, Wei-Chyun	2018/6/22	2012/6/5	2020/10/21	2020/10/21	Securities & Future Institute	2020 Public Briefing on the Prevention of Insider Trading and Insider Equity Transactions	3	6
				2020/6/18	2020/6/18	Taiwan Securities Association	A Forecast for the Future of Financial Technology from the Development of E-payment in Taiwan	3	
Corporate Director Representative	Mao, Ming-Yu	2018/6/22	1997/5/8	2020/10/21	2020/10/21	Securities & Future Institute	2020 Public Briefing on the Prevention of Insider Trading and Insider Equity Transactions	3	6
				2020/6/18	2020/6/18	Taiwan Securities Association	A Forecast for the Future of Financial Technology from the Development of E-payment in Taiwan	3	
Corporate Director Representative	Cheng, I-teng	2018/6/22	2018/6/22	2020/10/14	2020/10/14	Securities & Future Institute	2020 Public Briefing on the Prevention of Insider Trading and Insider Equity Transactions	3	9
				2020/10/8	2020/10/8	Taiwan Securities Association	Anti-money Laundering Standards and New Development	3	
				2020/6/18	2020/6/18	Taiwan Securities Association	A Forecast for the Future of Financial Technology from the Development of E-payment in Taiwan	3	
Director	Fang, Cheng-Yi (Note)	2018/6/22	1983/10/3	2020/10/26	2020/10/26	Taiwan Securities Association	Business Opportunities and Challenges Amid the Sino-American Trade Conflict	3	9
				2020/10/8	2020/10/8	Taiwan Institute of Directors	Anti-money Laundering Standards and New Development		
				2020/4/28	2020/4/28	Taiwan Corporate Governance Association	Response Strategies for Corporate Changes	3	
Independent Director	Lee, Mao	2018/6/22	2015/6/24	2020/11/10	2020/11/10	Taiwan Corporate Governance Association	Corporate Social Responsibilities and Sustainable Operations	3	9
				2020/8/7	2020/8/7	Taiwan Corporate Governance Association	Post-pandemic Corporate Transformation and Supply Chain Adjustments: Tax Perspectives/Changes in the 5G Era	3	
				2020/6/18	2020/6/18	Taiwan Securities Association	A Forecast for the Future of Financial Technology from the Development of E-payment in Taiwan	3	
Independent Director	Jeffrey Chen	2018/6/22	2015/6/24	2020/10/15	2020/10/15	Taiwan Corporate Governance Association	How Directors and Supervisors Oversee the Corporation to Detect and Prevent Fraud and Establish a Whistleblowing Mechanism to Enhance Corporate Governance	3	6
				2020/9/15	2020/9/15	Taiwan Corporate Governance Association	Introduction to the Latest Trend of Corporate Governance Practices 3.0	3	
Independent Director	Tu, Te-cheng	2018/6/22	2018/6/22	2020/10/26	2020/10/26	Taiwan Securities Association	Responsibilities of the Directors and Practices of the Board of Directors	3	9
				2020/9/30	2020/9/30	Taiwan Corporate Governance Association	The Fight for Management Right Under Shareholder Activism	3	
				2020/6/18	2020/6/18	Taiwan Securities Association	A Forecast for the Future of Financial Technology from the Development of E-payment in Taiwan	3	

Note：Fang Cheng-Yi was dismissed on November 30, 2020.

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	2020/1/16	2020/1/17	Accounting Research and Development Foundation	Continuing Training Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12	12
		2020/6/11	2020/6/12	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 31, 2021

The Company makes the following statement according to the self-evaluation conducted of its internal control system of 2020:

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, 2020(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 31, 2021. Amongst the 8 Directors present in the meeting, none (0) held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

Mercuries & Associates Holding, Ltd.

Chairman and General Manager: Chen, Shiang-Li

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

(10) 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 2020:

The 2020 annual general meeting of the Company was held on June 18, 2020 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 2019 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 2019 earnings distribution.

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

II. Discussion Items:

Propose 1

Proposal: To amend the Articles of Incorporation.

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

Propose 2

Proposal: To amend the Rules and Procedures for Board of Director Meetings.

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

Propose 3

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 4

Proposal: To amend the Procedures for Endorsement and Guarantee.

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

Propose 5

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.

Propose 6

Proposal: To invest the Company's surplus for issuance of new shares.

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: August 1, 2020 was selected as the record date for distribution while the date for actual distribution was September 9, 2020 (cash dividend of NT $1 and stock dividend of NT$1). The amount to be distributed was the same as the amount adopted by resolution in the shareholders' meeting.

(2)All resolutions from the 2020 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
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 from the cost model to the fair value model for the subsequent appraisal of the Company's investment-based real estate. (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 employees. (2) Remuneration of the Company's managerial officers. (3) The Company's 2019 business report and financial statements. (4) The Company's 2019 earnings distribution. (5) The Company's statement of internal control for 2019. (6) The Company's budget for 2020. (7) Application for line of credit with the bank. (8) To amend the Management of the procedures for preparation of financial statements. (9) Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs. (10) Convention of the 2020 annual shareholders' meeting.	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.) (Director Chen, Shiang-Li recused himself from the discussion voting in Proposal 2 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors: None.

Date of Key Resolution	Content of Key Resolution	Result of Resolution
19th Meeting of the 19th Board of Directors May 15, 2020	Report Items (1) The Company's consolidated financial statements for the first quarter of 2020 and 2019. (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) To approve the change of audit CPAs. (2) To approve the independent evaluation of CPAs. (3) Application for line of credit with the bank. Extraordinary Motions The chairman of the board is authorized to have full authority to deal with the adjustment of the venue of the 2020 shareholders' meeting.	Unanimously approved by all Directors present in the meeting. Opinions of Independent Directors: None. Disposal of opinions of Independent Directors: None.
20th Meeting of the 19th Board of Directors July 21,2020	Report Items (1) Report on the execution of the company disposal of the First Bank stock. Discussion Items (1) The ex-rights and dividend for the distribution of cash dividend and stock dividend 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.
21th Meeting of the 19th Board of Directors August 14, 2020	Report Items (1) The Company's consolidated financial statements for the second quarter of 2020 and 2019. (2) Internal audit report.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
22th Meeting of the 19th Board of Directors October 15, 2020	Discussion Items (1) To approve the purchase of common stock of Sanyou Drugstores Ltd. from Sumitomo Corporation. (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.
23th Meeting of the 19th Board of Directors November 13, 2020	Report Items (1) The Company's consolidated financial statements for the third quarter of 2020 and 2019. (2) Internal audit report. (3) Corporate Social Responsibility Implementation Report (4) The company signed a contract with Sumitomo Corporation and Sanyou Drugstores Ltd. to terminate the shareholder agreement. Discussion Items (1) To approve the first issue of unsecured convertible corporate bonds. (2) To approve the subscription of Mercuries Life Insurance Co., Ltd.'s capital increase. (3) To approve 2020 audit fees. (4) To approve 2021audit plan.	Unanimously approved by all directors present in the meeting. Opinions of independent directors: None. Disposal of opinions of independent directors: None.
24th Meeting of the 19th Board of Directors January 22, 2021	Report Items (1) Report on the execution of the company disposal of the Advance Materials Corporation stock. (2) Fire accident report case of SCI Pharmtech, Inc. Discussion Items (1) Remuneration of the Company's officers. (2) Application for line of credit with the bank. (3) The Company's 2021 Board meeting schedule.	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
25th Meeting of the 19th Board of Directors March 31, 2021	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 employees. (2) Remuneration of the Company's managerial officers. (3) The Company's 2020 business report and financial statements. (4) The Company's 2020 earnings distribution. (5) The Company's statement of internal control for 2020. (6) The Company's budget for 2021. (7) Application for line of credit with the bank. (8) To amend the Management of the procedures for preparation of financial statements. (9) Formulation of and amendments to internal policies in accordance with related laws and regulations and practical needs. (10) Convention of the 2021 annual shareholders' meeting.	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.) (Director Chen, Shiang-Li recused himself from the discussion voting in Proposal 2 due to the conflict of interest.) Opinions of independent directors: None. Disposal of opinions of independent directors: None.

D. List of proposals of the Audit Committee

Time	Content of Proposal	Results of Resolution
10th Meeting of 1st Audit Committee February 26, 2020	Discussion Item (1) Since January 1, 2020, the company and its subsidiaries will change from the cost model to the fair value model for the subsequent appraisal of the Company's investment-based real estate.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
11th Meeting of 1st Audit Committee March 27, 2020	Report Items (1) Internal audit report. Discussion Item (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 for 2019 (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.
12th Meeting of 1st Audit Committee May 15, 2020	Report Items (1) The Company's consolidated financial statements of the first quarter of 2020 and 2019. (2) Internal audit report. Discussion Items (1) To approve the change of audit CPAs. (2) Evaluation of the independence of the Company's CPAs.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
13th Meeting of 1st Audit Committee August 14, 2020	Report Items (1)The Company's consolidated financial statements for the second quarter of 2020 and 2019. (2)Internal audit report.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.

Time	Content of Proposal	Results of Resolution
14th Meeting of 1st Audit Committee October 15, 2020	Discussion Items (1) To approve the purchase of common stock of Sanyou Drugstores Ltd. from Sumitomo Corporation.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
15th Meeting of 1st Audit Committee November 13, 2020	Report Items (1)The Company's consolidated financial statements of the third quarter of 2020 and 2019. (2) Internal audit report. Discussion Items (1) To approve the first issue of unsecured convertible corporate bonds. (2) To approve the subscription of Mercuries Life Insurance Co., Ltd.'s capital increase. (3) To approve 2020 audit fees. (4) To approve 2021audit plan.	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.

E. List of proposals of the remuneration committee

Time	Content of Proposal	Result of Resolution
3rd Meeting of the 4th Remuneration Committee January 10, 2020	Discussion Items: (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	Discussion Items: (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.
5th Meeting of the 4th Remuneration Committee January 22, 2021	Discussion Items: (1) 2020 year-end bonuses for managerial officers (paid in 2021).	Unanimously approved by all members present in the meeting. Submitted to the Board of Directors for resolution.
6th Meeting of the 4th Remuneration Committee March 31, 2021	Discussion Items: (1) 2020 remuneration for the Company's Directors and Supervisors (paid in 2021).	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	Chang, Shu-Cheng	Jan. 1, 2020 to Dec. 31, 2020	-

Fee range \ Professional charge		Accounting charge	Non-accounting charge
1	Less than NT$ 2,000,000	-	NT$385,000
2	NT$ 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$65 thousand	-	NT$320 thousand	NT$385 thousand	1. Review Report: NT$50 thousand. 2..Review of annual report in the shareholders' meeting: NT$80 thousand. 3. Surplus capital increase: NT$70 thousand. 4. Convertible corporate bond: NT$120 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: None.

(5)The Company implements regular evaluate the compliance and independence every year: Self-evaluation by CPA , and acquires a statement of independent from the CPAs. Assessments for the independence of the CPAs were reviewed and approved by the board meeting of May 15, 2020.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	May 15, 2020		
Cause and details of the replacement	The Company's accounting firm, BDO Taiwan, adjusted its administrative organizations. From the 1st quarter of 2020, CPAs Liu ,Ke-yi and Hsu ,Kun-hsi were replaced with CPAs Liu ,Ke-yi and Chang ,Shu-cheng.		
Any details for the termination or rejection of the commissioner or CPA	Party / Status	CPA	Commissioner
	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	The auditors' report has submitted the unqualified opinions plus other matter paragraphs and the emphasis of matter paragraphs in 2020 and the unqualified opinions plus other matter paragraphs has been submitted in 2019, part of the financial statements of Investments accounted for under equity method were audited by other auditors.		
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 6 Item 1 Point 4 toPoint7)	None		

(2) About the successor CPA

Name of the accounting form	BDO Taiwan
Name of the CPA	Liu, Ke-Yi and Chang ,Shu-cheng
Date of commission	Approved by the Board of Directors on May 15, 2020
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 6, Items 1 and Items 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	2020		As of April 27,2021	
		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	17,013,316	15,800,000	0	3,200,000
Corporate representative of the chairman / Managerial officer	Chen, Shiang-Li	2,280,594	2,100,000	0	0
Corporate representative of the director	Chen, Shiang-Chung	1,621,445	0	0	0
Corporate representative of the director	Mao, Ming-Yu	513,735	0	0	0
Corporate representative of the director	Cheng, I-teng	0	0	0	0
Director / Major shareholders	Shuren Investment	11,732,231	0	0	0
Corporate representative of the director	Wong, Wei-Chyun	608,550	0	0	0
Director	Fang, Cheng-Yi (Note2)	(3,587,029)	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	16,738	0	0	0
Managerial officer	Chen, Te-Kai	5,992	0	0	0

Note 1: Where the counterparty of equity transfer or equity pledge is a related party, the following table must be completed accordingly.
Note 2: Fang Cheng-Yi was dismissed on November 30, 2020.

(2) Information of the counterparty of equity transfers in the event that the said counterparty is a related party:

Name	Reason	Trading date	The counterparty	The relationship between the counterparty and the company, directors, managers and shareholders with a shareholding ratio of more than 10%.	Number of shares	Trading price
Fang, Cheng-Yi	Gift	Nov.30,2020	Fang Lin Ruizhi	Spouse	3,587,029	-

(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	187,146,480	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	129,054,542	14.19%	-	-	-	-	Shufeng Investment	Same person as the chairman	-
Shanghong Investment Representative: Chen, Shiang-Li	56,350,185	6.20%	-	-	-	-	(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	50,981,811	5.61%	-	-	-	-	Shuren Investment	Same person as the chairman.	-
Mercury Fu Bao Co., Ltd. Representative: Wang, Hsien-chang	43,984,960	4.84%	-	-	-	-	-	-	-
Chen, Shiang-Li	25,086,542	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 (5)Chen, Shiang-Chung	(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 second degree of kinship.	-

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	
Pension fund management committee of Mercuries & Associates, Ltd. Representative: Chen, Shiang-Li	20,662,689	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	19,688,465	2.17%	17,940,414	1.97%	-	-	(1)Yang, Chun-Hui (2)Shuren Investment (3)Shufeng Investment	(1)Spouse. (2)(3)Chairman of this company.	-
Yang, Chun-Hui	17,940,414	1.97%	19,688,465	2.17%	-	-	Wong, Chau-Shi	Spouse.	-
Chen, Shiang-Chung	17,835,899	1.96%	1,002,778	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%	0	—	40,000	100%
Mercuries Data Systems Ltd. (Note2)	98,505	53.44%	830	0.45%	99,335	53.89%
Mercury Fu Bao Co., Ltd.	236,260	100%	0	—	236,260	100%
Mercuries General Media, Inc.	4,200	86.96%	0	—	4,200	86.96%
Mercuries Life Insurance Co., Ltd. (Note3)	1,009,228	40.34%	389,100	15.55%	1,398,328	55.89%
Mercuries Harvest Co., Ltd.	9,000	100%	0	—	9,000	100%
Mercuries F&B Co., Ltd.	47,940	93.63%	0	—	47,940	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. (Note4)	25,236	31.75%	3,031	3.81%	28,267	35.56%
Mercuries Furniture Co., Ltd.	13,000	100%	0	—	13,000	100%
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%	0	—	3,209	100%
Mercuries Liquor & Food Co., Ltd.	10,500	100%	0	—	10,500	100%
Mercuries Insurance Agency Co. Ltd.	500	100%	0	—	500	100%
Sanyou Drugstores, Ltd.	55,000	55.00%	45,000	45.00%	100,000	100%
Mercuries FoodService Co., Ltd	—	25.31%	—	74.69%	—	100%
Tastynoodle Co., Ltd	—	100%	—	—	—	100%
Family Shoemart Co., Ltd	—	86.67%	—	13.33%	—	100%
Simple Mart Retail Co., Ltd.	41,119	68.88%	0	—	41,119	68.88%

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

Note2: The numbers on April, 12, 2021.

Note3: The numbers on April, 20, 2021.

Note4: The numbers on April, 27, 2021.

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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	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$	None	Note 20
September 2020	NT$ 10	1,200,000,000	12,000,000	909,350,956	9,093,510	Recapitalization of retained earnings 826,682,680	None	Note 21

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. 10701149540of December 3, 2018; approved by Statement No. 107120701of December 7, 2018.

Note 21: Statement entered into force by the Financial Supervisory Commission (FSC) on July 8, 2020; approved by the MOEA Ching-Shou-Shang-Tzu Document No. 10901158640 of September 1, 2020.

(2) Category of shares

April 27, 2021 Unit: Shares

Category of shares	Authorized stock			Note
	Outstanding shares (note)	Unissued shares	Total	
Registered common shares	909,350,956	290,649,044	1,200,000,000	Outstanding stock of a listed company

(3) Shareholder structure

April 27, 2021 Unit: Shares

Shareholder structure / Quantity	Government agencies	Financial institutions	Institutional shareholders	Per individual	Overseas institutions and individuals	Total
Number of individuals	2	6	72	27,327	123	27,530
Shares held	10,792,004	1,543,182	520,245,318	320,205,888	56,564,564	909,350,956
Percentage held	1.19%	0.17%	57.21%%	35.21%	6.22%	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 27, 2021 Unit: Shares

Shareholding range	Number of shareholders	Total shares	Percentage of issued shares (%)
1 to 999	11,634	2,952,938	0.32%
1,000 to 5,000	10,433	23,036,798	2.53%
5,001 to 10,000	2,476	18,190,364	2.00%
10,001 to 15,000	1,025	12,564,524	1.38%
15,001 to 20,000	516	9,089,400	1.00%
20,001 to 30,000	495	12,172,231	1.34%
30,001 to 50,000	388	15,123,680	1.66%
50,001 to 100,000	291	20,609,647	2.27%
100,001 to 200,000	125	17,527,616	1.93%
200,001 to 400,000	57	16,240,770	1.79%
400,001 to 600,000	27	13,463,293	1.48%
600,001 to 800,000	13	9,114,819	1.00%
800,001 to 1,000,000	4	3,721,393	0.41%
> 1,000,001	46	735,534,483	80.89%
Total	27,530	909,350,956	100%

(5) List of major shareholders

April 27, 2021 Unit: Shares

Shares / Name of major shareholder	Shares held	Shareholding percentage
Shanglin Investment Co., Ltd.	187,146,480	20.58%
Shuren Investment Co., Ltd.	129,054,542	14.19%
Shanghong Investment Co., Ltd.	56,350,185	6.20%
Shufeng Investment Co., Ltd.	50,981,811	5.61%
Mercury Fu Bao Co., Ltd.	43,984,960	4.84%
Chen, Shiang-Li	25,086,542	2.76%
Pension fund management committee of Mercuries & Associates, Ltd.	20,662,689	2.27%
Wong, Chau-Shi	19,688,465	2.17%
Yang, Chun-Hui	17,940,414	1.97%
Chen, Shiang-Chung	17,835,899	1.96%

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

Item \ Year			2019	2020	From this fiscal year to March 31, 2021 (Note 4)
Market price per share	Max		22.60	30.95	21.45
	Min		16.60	13.95	19.65
	Average		18.56	22.29	20.62
Net value per share	Before issuance		21.81	21.59	—
	After issuance		20.81	20.59	—
Earnings per share	Weighted average (thousand shares)		779,276	857,203	—
	Earnings per share	Before retrospective	4.48	1.63	—
		After retrospective	4.03	—	-
Dividend per share (DPS)	Cash dividend		1	1 (Note 5)	—
	Free allotment	Earnings	1	—	-
		Capital reserve	—	—	-
	Cumulative unpaid dividends		—	—	—
Return on investment analysis	Price-to-earning ratio (P/E) (Note 1)		4.14	13.67	—
	Price-to-dividend ratio (P/D) (Note 2)		9.28	22.29(Note 5)	—
	Cash dividend yield (Note 3)		10.78%	4.49%(Note 5)	—

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

Note 2: P/D = Average closing price for each share of the year / (Cash dividend 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 earnings distribution of 2020 was approved by the Board of Directors on March 31, 2021. The distribution of cash 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, not less than 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 2020 was approved by the Board of Directors on March 31, 2021. For the distribution of earnings in 2020, refer to the following table:

Table of 2020 Earnings Distribution

Unit: NTD

Item	Amount	
	Subtotal	Total
Undistributed earnings at the beginning of the period		4,479,410,474
Minus: Changes in undistributed earnings of invested companies (Note 1)	(348,799,292)	
Add: Disposal of equity instruments at fair value through other comprehensive income	62,624,634	
Add: Net profit after tax for the year (Note 2)	1,397,680,434	
Minus: Legal reserve appropriated	(111,150,578)	
Minus: Reversal of special reserve	(1,500,715,840)	
Earnings available for distribution		3,979,049,832
Distribution Item:		
Cash dividend	(909,350,956)	
Undistributed earnings at the end of the period		3,069,698,876

Note 1: Changes in undistributed earnings of investee companies include(1) changes in shareholding percentage of investee companies.(2) disposal of equity instruments at fair value through other comprehensive income, and (3) actuarial gain or loss arising from defined benefit plans.

Note2: Employees' compensation of NT$15.4 million and directors' remuneration of NT$8.5 million have been deducted.

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 2021.

(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 2020 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$ 8,500,000 and employees' compensation of NT$ 15,400,000.

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 2020 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 2019 to the shareholders' meeting on June 18, 2020, and no shareholder made an objection.

E. Actual distribution of the compensation to employees and Directors for 2019:

The Company's proposal for compensation to employees and Directors for 2019 was passed via resolution by the Board of Directors on March 27, 2020.The following describes the actual sums distributed:

(1) The compensation for Directors and employees was NT$15,000 thousand and NT$35,500 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 18, 2020

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(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:

Corporate bond type		First Offering of Domestic Unsecured Convertible Bond
Date released		Jan. 25, 2021.
Par value		NT$100,000 per note.
Location of issuance and trading		Not applicable.
Issuing price		NT$100,500 per note.
Aggregate amount of issuance		NT$2.3 billion.
Coupon rate		0%.
Maturity		Term: 5 years. Maturity date: Jan. 25, 2026.
Guarantee agency		Not applicable.
Trustee		Hua Nan Commercial Bank, Ltd., Department of Trusts
Underwriter		Hua Nan Securities Co., Ltd.
Certifying attorney		Not applicable.
Certifying CPA		Not applicable.
Terms of repayment		Unless converted to shares, or redeemed or bought back by the Company at securities firms in advance pursuant to the established procedures, the bond will be repaid upon maturity to the bondholders in cash, commensurate with the face values of the notes they hold.
Outstanding principle		NT$2.3 billion.
Provision of prepayment and redemption		See Policies on Issuance and Conversion.
Restrictive covenant		None.
Credit rating agency name, date of rating, and corporate bond rating result		No credit rating.
Other information	Amount converted to common shares as of the date of Annual Report	NT$0
	Policies on Issuance and Conversion	Please refer to Attachment (1).
Potential dilution of shares and impact on the existing shareholders equity due to the issuance and conversion policies and terms and conditions		Based on the current conversion price of NT$22.5, the maximum rate of dilution when the convertible bond is converted in its entirety will be 10.15%, which will not cause serious concerns.
Name of exchange		Not applicable.

Convertible Corporate Bonds

Corporate bond type		First Offering of Domestic Unsecured Convertible Bonds
Year / Description		As of Mar. 31, 2021.
Price of convertible corporate bond	Maximum	NT$110.8
	Minimum	NT$102.8
	Average	NT$105.9
Conversion price		NT$22.5.
Date released and conversion price when released		Issued Jan. 25, 2021; conversion price: NT$22.5.
Conversion obligation fulfilled by		Issuance of new shares.

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:

(1) Description of Plan

On Jan. 25, 2021, the Company issued a convertible corporate bond and raised NT$2,311,500,000 to repay bank loans.

(2) Implementation

Unit: NTD thousands

Plan	Date Completed	Funds Required	Progress of Funds Allocated
			1st Quarter 2021
Repay bank loans.	Jan. 28, 2021.	2,311,500	2,311,500
Total		2,311,500	2,311,500

As of Jan. 28, 2021, all of the funds raised had been used to repay the bank loans, to prevent compound loan interest expenses which erodes profitability, and to reduce capital dependence on banks and increase funding flexibility. Also, as the bondholders gradually convert the bond to common shares, it will help to enhance the Company's financial structure and strengthen its solvency, thereby increasing its long-term competitiveness and facilitating its operations and development. Calculated based on the interest payments for the bank loans, the Company will save approximately NT$19,552,000 in the year 2021 and approximately NT$21,329,000 in the following year in interest expenses.

Date on which the aforementioned Implementation of Capital Allocation Plan was uploaded to the Market Observation Post System: Jan. 11, 2021

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	2019 (Restated)		2020	
	Business Revenue	Business Revenue Proportion	Business Revenue	Business Revenue Proportion
Retail of Daily Commodities and Food	21,036,893	9.19%	22,305,986	10.59%
Life insurance	201,268,536	87,94%	181,260,326	86.04%
Pharmaceuticals	2,412,360	1.06%	2,741,637	1.30%
Information Services	3,094,775	1.35%	3,058,534	1.45%
Others	1,056,449	0.46%	1,292,827	0.62%
Total	228,869,013	100%	210,659,310	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

Simple Mart has served the community consumers for years and has continued to expand its customer base from local communities to metropolitan consumers and to increase the patronage of office workers. It has established sub-brands of Simple PLUS Mart, Simple CITY Mart, and Simple OFFICE Mart, and, by offering the three daily meals, afternoon tea, overtime suppers, and desserts and snacks to office workers, it has expanded the customer base beyond the local communities.

"Go Simple Mart" online shopping platform was established in 2018 as the virtual "second floor shelf" for Simple Mart. It serves as an extension to the retail outlets

to expand the product line and to offer to the Simple Mart members differentiated products to those offered in the physical stores, such as large-size or high-end commodities, aiming to reify the integration of digital and conventional marketing by offering a more comprehensive product lineup and accommodating different purchase patterns. Also, the "Go Simple Mart" online shopping platform provides additional membership benefits as the Simple Mart members' online and offline purchase points are aggregated to provide, as intended, higher added values. We hope it becomes an enjoyable cash-reward platform exclusive to the Simple Mart members.

In terms of retail of F&B, 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
Baojiankang Hospitalization Health Insurance Rider (BHSR)	Launched on January 1	-	Q1 2021	Whether the product structure is competitive.
Xinbaoli USD Interest-sensitive Whole Life Insurance (Regular Benefit Option) (ZSWL)	Launched on January 1	-	Q1 2021	Whether the product structure is competitive.
Century Fuli Variable Annuity Insurance	Launched on January 1	-	Q1 2021	Whether the product structure is competitive.
Century Fuli Foreign Currency Variable Annuity Insurance	Launched on January 1	-	Q1 2021	Whether the product structure is competitive.
One-year life insurance rider series	R&D personnel have started developing the product.	About NT$500,000	Q2 2021	Whether the product structure is competitive.
Mortgage insurance series	R&D personnel have started developing the product.	About NT$500,000	Q2 2021	Whether the product structure is competitive.
New premium-waiver rider series	R&D personnel have started developing the product.	About NT$500,000	Q2 2021	Whether the product structure is competitive.

c. Pharmaceuticals

New Product Name	New Product Description
Pimobendan	APIs
MAT9001	APIs

Note:Due to the fire incident, only the aforementioned R&D projects will go forward; all production lines for the existing products will undergo replacement and modification.

d. Information services

Products that the Company expects to continue to develop include replacing kiosk with ATM. According to the data published by the Ministry of Economic Affairs, Department of Statistics, the number of convenience stores in Taiwan are increasing every year: As of the end of 2011, the four largest convenience store franchises (7-11, FamilyMart, Hi-Life, and OK mart) totaled 9,739 stores. And by the end of May 2019, the total number of convenience stores of these four franchises had reached 11,105. They are deeply rooted in the everyday lives of the consumers, and along with the e-business trend, have undertaken to deploy multimedia kiosk machines in stores. The convenience store kiosk machines can handle more than 600 different tasks: for example, paying transportation charges, license renewals, redeeming bank's rewards, buying points for games, booking train and high-speed train tickets, finding group-buy deals, and booking concert tickets. They have created a huge service structure and presented enormous business opportunities by attracting more than 200 million times of usage per year in Taiwan. There will be uncountable business opportunities in the future if the Company replaces those kiosk machines with ATMs by combining their functionalities, and such development is anticipated because the convenience stores will profit from both the surcharges for kiosk services and the cost-savings from the combination unit. Using side cards for three other purposes is also anticipated. The first is the coin deposit machine. In July 2017 the Financial Supervisory Commission (FSC) approved the installation of change deposit machines that alleviated the inconvenience to the small-business street vendors and to the public at large, because the former has to carry heavy and bulky coins from the day's proceeds to the banks to deposit over the counter; and the latter also has to share the time-consuming and laborious experience when they wanted to deposit the coins from their piggy banks. For this reason, the banks have introduced the "Change ATM," which are coin deposit machines that help to improve the banks' processing time, to make cash deposit more convenient for the public, and also to meet the expectation of the Central Bank to recover and reduce the circulation of coins. The second is the function of a payment processing machine. Currently, the ATMs provide automated payment processing service which considerably relieves the pressure on the bank tellers, saves the store cashiers' time in serving customers who request processing of payments, and decreases the amount of loose change, so as to reduce the employees' handling of cash. The third is the use of a foreign currency exchange machine. In light of the steady increase in the numbers of Taiwan nationals traveling abroad and foreign nationals visiting Taiwan, the demand for foreign currency exchange has also risen correspondingly. Therefore, in addition to meeting the rising demand for the exchange for NTD, it is anticipated the demand goes both ways in the future. The Company expects to offer the exchange of NTD for foreign currencies to the travelers leaving Taiwan. This will increase the banks' revenue from handling fees and exchange rate difference, and will be a mutually beneficial development preferred by both banks and users.

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 Ministry of Economic Affairs, Department of Statistics, the 2020 retail sales of supermarkets, convenience stores, and textiles and apparel totaled NT$879 billion, representing 22.77% of the domestic retail trade sales. The annual growth rates for these categories were 10.67%, 8.86%, and 1.60%, respectively, in which those for the supermarkets and the convenience stores were at an all-time high. Also, the survey data published in November 2020 indicated that, for the first time, credit card had surpassed cash in payments for retail goods. The decline of the cash-based transaction model was due to the thriving expansion of e-commerce platforms, the prevalent use of mobile devices, and the growing diversification of payment methods. In 2019, credit card was used in 37.9% of the retail transactions, surpassing cash for the first time and ranking first place. Cash fell to the second at 35.1%. Convenience stores still mainly sell beverages, alcohol, and tobacco. The food and beverages (F&B) retail businesses saw growth in the use of the POS system (for ordering meals) and in mobile payments, compared to the year before. And merchandise high homogeneity and high substitutability have grown the most among the obstacles faced by the retail trades. In recent years, hypermarkets have begun to open or acquire smaller stores to increase revenue, while chipping away the market shares of conventional chained supermarkets and convenience stores. The competition in the conventional retail market has become more intense because the market as it exists for convenience stores has become saturated, forcing the locations of new stores to move from street-front into the local communities.

It has also become highly competitive in the F&B retail industry. Faced with the highly volatile operating environment and consumer demand, the Company has continuously adjusted its product structures and marketing strategies based on the market demand and trends, and continues to optimize digitization and adopt big data to strengthen management and marketing. The Company further has developed differentiated marketing campaigns for individual stores to enhance each's competitiveness, facilitated market segmentation, strengthened regional competitive advantages, and optimized the brand image as a whole.

b. Life insurance

In mid-January 2020, China and the United States entered into the first round of trade agreements, in which China agreed to purchase an additional US$200 billion of products and services from the US in the next two years, with concessions in intellectual property right, transfer of technologies, financial openness, and dispute resolution. In exchange, in mid-February 2019 the U.S. cut the projected US$120 billion tariffs on Chinese imports in half, to 7.5%, and rescinded the recognition of China as a currency manipulator. Since February 2019, COVID-19 had spread

rapidly from Northeast Asia to the major economies/financial markets in America and Europe. In response, nations quickly took measures in social distancing and closing the borders to control the pandemic, which had caused the corporate and household cash flows to shrink sharply, the financial market liquidity to freeze rapidly, and the global stock markets to fall nearly 30%. However, in March, the US, Europe, Japan, and even the emerging countries responded to repeated interest rates cut, implement quantitative easing, and fiscally issue a multitude of stimulus reliefs to aid the unemployed and the affected industries. During the pandemic, it's estimated that the balance sheets of the major nations' central banks increased nearly 20% compared to the same period the year before, and their fiscal expenditures amounted to nearly 10% of their GDPs, as a result of wielding fiscal and monetary policies to replenish cash flow and fluidity gap. Consequently, stocks and bonds as a whole rebounded at the end of March 2019, and the high-frequency economic data has since cast off the impacts of border closing and has gradually improved and recovered. The International Monetary Fund (IMF) estimated that the overall global economy had suffered a 4.9% recession in 2020, but anticipated that, under the underpinning government policies, the easing of the pandemic's impact, and effects related to the base period, it would return to a growth of 5.4% in 2021.

Traditionally, Taiwanese people look to depend on their children when they become old. However, due to the falling birth rate and the prolonging life expectancy, families have been unable to take care of the elderly alone, and have turned to rely on individuals, the state, and the government to share the responsibilities caused by the aging population. For this reason, the government has actively invested in more resources and implemented social insurance, welfare, and policies related to senior citizens in the past 20 years. For example, senior citizens have benefited the most under the National Health Insurance Act of 1995 that has improved citizen health nationally. Both the Labor Pension Act of 2005 and the National Pension Act of 2008 were enacted to implement social insurance systems to cope with the prolonging life expectancy of Taiwanese citizens. Nevertheless, as the coverage of the nation's social welfare comes out short in places, citizens' reliance on insurance has continued to rise. Subsistence-related types of insurance, such as retirement-related annuity insurance, medical insurance, and long-term care insurance, have increased in demand each year, indicating that Taiwan citizens have turned gradually from death insurance to use insurance to secure welfare and security in their retirement plan. 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 2011 to 2020, 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 2010, as well as the US-China trade tensions in

2020, leading to the impact of the industry's introduction of IFRS17 on commodity strategies, in which the total premium income decreased slightly by 8.73% compared with the same period in 2019, 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Premium Income (NT$100 million)	21,982	24,784	25,835	27,711	29,267	31,334	34,202	35,116	34,667	31,640
Growth Rate (%)	(4.96)	12.75	4.24	7.26	5.61	7.06	9.16	2.67	(1.28)	(8.73)

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 2019, the revenues for the domestic biotech and pharmaceutical industry totaled NT$559.7 billion, which grew 8.72% from the NT$514.8 billion in 2018. The pharmaceutical industry alone has grown significantly, from NT$80.3 billion in 2018 to NT$85.5 billion in 2019, due to the vigorous development of the export market and the increase in revenue from the derivative sales related to new products.

Taiwan's pharmaceutical industry, which comprises the western medicine preparation, the Chinese medicine preparation, biopharmaceutical, and the active pharmaceutical ingredient (API) segments, has grown stably for years. The compound annual growth rate (CAGR) for the domestic pharmaceutical industry between 2015 and 2019 was 3.9%, thanks to the growth in demand in the domestic market and the success in developing the export market. In 2019, the output value of the pharmaceutical industry was NT$75.71 billion, representing a growth of 7.6%, attributable to the growth in production values of the western medicine preparation and the API segments. Although there was the COVID-19 pandemic in 2020, the demand for pharmaceutical products continued to rise. It was expected that the output value of Taiwan's pharmaceutical industry would continue to grow in 2020 to approximately NT$80.0 billion.

The domestic API market was relatively small. Most domestic API manufacturers relied mainly on export, which occupied over 80% of their sales. According to the official customs tape data on import and export, Taiwan's export value of APIs in 2020 was NT$4.8 billion, showing a growth of 11.4% from 2019, which was mainly due to the rather sturdy growth in export of certain antibiotic APIs and the effective development of the European and American markets by the domestic manufacturers for a number of niche API products, while COVID-19 was spreading over the globe, the top five export destinations being Japan, the US, India, Germany, and Greece. On the other hand, Taiwan's import value of APIs in 2020 was NT$7.9 billion, showing a moderate growth of 3.3% from 2019, which was due to the domestic generic drug manufacturers stocking up inventories because of the COVID-19 pandemic, leading to increased import demand for antibiotic-related products, the top five import origins being China, Japan, the US, India, and South Korea. The import value of APIs from China alone was NT$3,155 million, representing about 39.87% of the total API import value, which indicated Taiwan's import of APIs concentrated excessively on a single country of origin and which was disadvantageous to the development of the pharmaceutical industry in terms of risk diversification.

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

Unit: NT$100 million; %

Year / Item	Export Value				
	2016	2017	2018	2019	2020
APIs	53	46	49	43	48

Year / Item	Import Value				
	2016	2017	2018	2019	2020
APIs	73	78	77	77	79

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.

According to the statistics of the Ministry of Economic Affairs, Biotechnology and Pharmaceutical Industry Promotion Office, the capital investment in Taiwan’s biotech and pharmaceutical industry in 2019 was NT$55,123 million, representing a negative growth of 0.3% compared to the NT$55,264 million in 2018. Looking at investments by industry, however, the capital investment in the pharmaceutical industry was the highest at NT$19,851 million in 2019, although it represented a negative growth of 9.67% compared to the NT$21,997 million in 2018 due to the fact that investment projects for new pharmaceutical factories had slowed down in Taiwan. Nonetheless, despite the global economy was being affected by the US and China imposing higher import tariffs on each other, the issues stemming from Brexit, and the rapid spread of COVID-19, the capital investment in the pharmaceutical industry in Taiwan still reached NT$19,851 million, which indicated that the investors were optimistic about the future of the pharmaceutical industry.

The Taiwan government has continued to nurture the biotech industry. To facilitate the Five Major Industrial Innovations R&D Project and the Biotechnology and Pharmaceutical Industry Innovation Promotion Program, it is projected that, by 2025, the government will have assisted in introducing at least 20 new pharmaceutical products and 80 high-added-value medical devices into the foreign

markets and will have fostered the establishment of at least 10 health-services premium brands, which will lead Taiwan's pharmaceutical, medical device, and health and wellbeing industries' output values to grow from the current 6% to a breakthrough of 9%, pushing it over the NTD trillion-dollar mark. In doing so, the government intends to make the biotech industry the new locomotive for Taiwan's economic development, driving innovations in regional industries and the economic growth as a whole while looking after the citizens' health and wellbeing 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.

In the era of marginalized profit, automation has become inevitable as financial institutions constantly look for means to reduce cost. ATMs have replaced manual procedure in processing simple deposits, withdrawals, payments, and money transfers, so the financial institutions can turn their manpower to transactions in personal finance and private banking that have higher added values. Accordingly, the demand by financial institutions for ATMs will only increase, and the customers in choosing financial institutions will also consider whether they have sufficient ATMs for convenience. Therefore, how to provide customers with faster, more convenient, more reliable, and multifunctional automated services has become the key to the competition in the banking and financial services industry. With the technological advancement that includes the rapid development of information technology, the ways in which customers and banks interact have continued to change. Young people rarely go to the bank in person for financial transactions, and the conventional over-the-counter services have gradually been taken over by online banking. For example, online account inquiries, transfers, and payments are the transaction methods born from the banks' transformation in response to finance digitization. With the maturity of the mobile application technology and the prevalence of smartphones, financial life has been made available in the everyday life, in that the customers can access various banking services via the Internet at any time and in any place, leading to the thriving development of mobile banking and mobile payment. In response to the Bank 4.0 era, the financial institutions have strived to increase self-service banking and enhance over-the-counter transaction services in recent years, and while the old machines are being replaced and the functions of the new machines enhanced, there will be uncountable business opportunities in the market for automated financial services equipment.

With the technological advancement, the automated financial services equipment has developed from the automatic cash dispenser (CD), the automatic deposit machine (ADM), and the ATM in the past to the recycler ATM (RATM), which aptly satisfies the customers' deposit and withdrawal needs and improves the efficiency of the banks' cash management operations. Following the introduction of the finger vein scan RATM and the overwhelmingly positive feedback, banks have raced to introduce card-free withdrawal services. Because using a finger to conduct ATM transactions is really convenient, the number of applications for finger vein scan ATM withdrawal has risen significantly, and the banks have been expanding the services to include finer vein scan ATM deposit and cash transfer so that

transactions can all be authorized using a finger. The function is really popular, prompting the banks to install more ATMs with finger vein scans. In the future, within the provisions of relevant laws and regulations, the ATMs can also provide more innovative and convenient financial services, ranging from opening an account or getting a loan online, to adopting biometric systems and using near-field communication (NFC) to connect with mobile banking to make it more convenient to access financial services. The Mercuries Data Systems RATM's quality and service are trusted by the customers, and it has occupied the greatest market share.

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 interested in launching this product and service, and also set up the machine at various points across Taiwan to attract consumers.

The new-generation ATMs have touch screens that can be swiped on and touch-selected just as on a smartphone. This upgrade is in synch with the user interface to which customers have been accustomed to. The operating process also is thoughtfully designed, as the user can check the balance during a transaction. It is anticipated that, in post-pandemic Taiwan, there likely will still be ample room for growth as we continue to innovate the ATM's functionality to secure the citizens' preference of using it.

In the financial automation systems services field, the Company conducts mainly as an agent of Hitachi-Omron products. We are Hitachi-Omron's sole agent distributing its financial automation products in Taiwan, and in that role, has contributed immensely to the promotion of financial automation for over 40 years here. Simply put, the Company is the leader in the ATM and financial terminal system businesses in the country. Our cash deposit/recycler ATMs have steadily occupied the largest market share in Taiwan.

With respect to the system engineering integration business, the Company has continued to invest in three major areas, namely communication systems, radar systems, and the development of fire-fighting software for the Taiwan Power Company, in the past years and finally began to generate long-term maintenance revenue and derivative, related business opportunities in 2019, while the database and data storage equipment businesses remained under steady development and have been profitable. Having accomplished the large-scale systems integration in public transportation, ticketing, communication, and surveillance, the Company now has 15 service centers in the north, central, and south Taiwan including the

outlying islands. We have over 200 maintenance engineers capable of providing the clients with prompt, professional maintenance and repair services, and for that matter, we have gained the trust of the customers in government agencies, financial institutions, post offices, telecommunications business, academic institutions, and others. Such reliability and confidence continue to underlie the Company's competitive advantages. The systems engineering integration has become another of Mercuries Data Services' cornerstone for growth, alongside the financial automation operations.

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

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C. Product development trends and competition

a. Retail of daily commodities and food

The prevalence of smartphones and the ever more convenient online transactions have resulted in the change in consumer consumption patterns; all kinds of consumer goods can be ordered online or via mobile apps. To alleviate the impact of e-commerce on the physical retail business, physical retailers have strived for product differentiation and improvements in logistics efficiency in an attempt to increase customer retention. The Company not only continues to attract customers to shop at our stores by importing high-quality products and products with national characteristics, but has also strengthened the membership relationships with various marketing campaigns.

Despite increase in basic wages, labor costs continue to rise, the retail prices cannot be adjusted proportionally. Thus retailers tend to scale, franchise, and differentiate their businesses and products. In particular, scaling up helps to spread fixed costs and gain

economies of scale to increase bargaining power and lower the costs of materials purchased; franchise helps to standardize the establishment of new outlets to facilitate expedient expansion and immediate profitability while lowering the administrative costs for running individual outlets; and differentiation helps to establish niches in market segments under the intense competition to secure operating profit.

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 2020 amounted to NT$3.0254 trillion, a decrease of 7.9% from NT$3.2855 trillion in the previous year, of which the revenue from the initial annual premiums was NT$0.7837 trillion, a decrease of 28.7% from NT$1.0995 trillion in the previous year. The revenue from annual renewal premiums was NT$2.2417 trillion, an increase of 2.5% from NT$2.186 trillion 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 of traditional products amounted to NT$2.7388 trillion, a decrease of 7.6% compared with last year's NT$2.9652 trillion, of which the revenue from the initial annual premiums was NT$576.6 billion, a decrease of 32.9% from the previous year, and the revenue from annual renewal premiums was NT$2.1622 trillion, an increase of 2.7% from the previous year. The revenue from investment-linked insurance product premiums was NT$286.5 billion, accounting for 9.47% of the total premium revenue, of which, the revenue from the initial annual premiums was NT$207.1 billion while and the revenue from annual renewal premiums was NT$79.4 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 2020 was NT$783,712 million, of which the life insurance companies' own marketing system amounted to NT$299,903 million, accounting for 38.27% and banks' channels reached NT$404,474 million, accounting for 51.61%, while traditional insurance brokers and insurance agents only arrived at NT$79.335 billion, accounting for 10.12%. 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

As for investment insurance, the investment-linked products have seen remarkable growth driven by the steady growth of the global economy and the stock markets continually record new heights. However, as the Taiwanese turned attention to their health and medical needs due to prolonged life expectancy, lifelong medical insurance, cancer insurance, and long-term care insurance have become key products that the customers look for to complement other policies. These policies drive the Company's growth while meeting the customers' needs.

Statistics from the Life Insurance Association R.O.C. showed that the Company had market share of 4.22% in terms of total premium income in 2020, ranking No.7 among 22 life insurance companies in Taiwan.

c. Pharmaceuticals

(a) Production development trends

The overall demand for pharmaceuticals is closely related to population growth. There has been a steady growth in sales of pharmaceuticals which are less affected by the overall economic environment. Besides, the emerging countries have rapidly developed their economies in which the medical care expenses

grew alongside the GDP. Therefore, driven additionally by the demand of the emerging countries, it is anticipated that the global pharmaceutical market will continue to grow. The global sales of pharmaceutical products in 2019 was US$1.2 trillion, which represented a growth of 3.6% compared to 2018. According to Fitch Solutions, the 2020 to 2024 CAGR for pharmaceutical sales will be about 4.8%, reaching US$1.4 trillion in 2024.

(b) Conditions of competition

Globally, The output value of the pharmaceutical industry will reach US$1.4 trillion, of which at least 60% to 70% will be for generic drugs. Generic drug output value has increased every year, due mainly to the fact that patents for branded drugs expire every year so new generic drugs emerge to snatch market shares, and also due to the fact that health care facilities have been switching to generic drugs to lower costs. And using mergers and acquisitions (M&A) to complement R&D lines and to step into new fields have been important ways to compete. The largest case of pharmaceutical industry M&A in the first half of 2020 was the US$4.9-billion purchase in March 2020 of Forty Seven, Inc., a clinical-stage immuno-oncology company, by Gilead Sciences, Inc., who was made famous for developing Remdesivir. In October 2020, the British company Bristol-Myers Squibb decided to purchase the American company Myokardia, Inc., for US$13.1 billion. Domestically, Bora Pharmaceuticals acquired the assets of the Canadian subsidiary of the British listed company GlaxoSmithKline, for NT$0.83 billion, along with a five-year OEM agreement, in March 2020, thereby officially entering the top-ten pharmaceuticals supply chains in the world. Such fever for M&A has contributed to the development of 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

Our systems integration services focus mainly on the areas of finance, transportation, telecommunications, education, and firefighting. The concept of "major account" has been adopted to provide superior services for the customers. To provide total solutions for the clients, the prospective operational direction and growth strategies, as well as any potential business revenue and the state of the competition are analyzed upon assigning an account manager to each client, to provide an integrated service in which experiences relevant to each major client's project(s) are accumulated and applied to cultivate relations and in which business opportunities stemming from the project(s) are actively pursued upon a comprehensive understanding of the project operations and the client's needs. This way, on the other hand, hidden risks can be avoided as unfamiliar projects

or projects from unfamiliar clients are avoided. Further, competition under globalization is getting intense. Enterprises are stepping up to improve their capabilities in business development and look to adopt the latest information technology and to go online with new business features instantaneously, which has increased the demand for IT outsourcing considerably. And as the division of labor has gotten more professional and meticulous, professional outsourcing has continued to orient more toward services that are related to business processes and added-value creation. The Ministry of Economic Affairs indicated in 2020 that, with the rapid development of information and communications technology (ICT) and increasing specialization of business operations in recent years, the demand for information systems services has increased as businesses transitioned from internal information systems to comprehensive systems integration. The demand was compounded by the prevalent use of the Internet and the pressing needs of businesses to leverage online presence for brand promotion and to develop web applications for such purposes, resulting in the continuing expansion of the computer and information services industries, the sales of which has grown at 4.8% on average in the past 10 years and was expected to reach an all-time high of NT$400 billion in 2020. Also, due to the increase in demands for the heterogeneous integration services involving, among others, computer/server software and hardware, communications technology, and information security, as well as for the development of cloud architecture and for building 5G infrastructures, the computer programming industry saw in the past 10 years an average growth of 4.5% in sales, which was expected to rise to 10.1% in 2021 as a result of the remote business opportunities during the pandemic.

According to the observation by the Institute for Information Industry, Market Intelligence & Consulting Institute (MIC), of factors affecting the industry as a whole, the determinant still is the COVID-19 pandemic despite the impact of the Sino-American trade war. Although vaccines have been developed and vaccination programs started, the pandemic will continue around the globe until herd immunity is reached in the communities by vaccination. Specifically, the industry and the supply chain order will continue to be affected until about the first or the second quarter of the next year. Although Taiwan has been affected less because of successful disease control, in the US and Europe which have been severely impacted by the pandemic, businesses and individuals have suffered considerable stress as the governments closed the borders and instituted strict control on human contact in public places, forcing the businesses to speed up digitization.

The key that contributes to this wave of digitization was that many key technologies and applications, in Internet communications, software, and AI, have become increasingly mature. The MIC observed that these technologies have not developed linearly as did in the past, but rather, have done so in an iterative pattern in which one supported another in each iteration. These iterative technologies help to develop online applications, such as the thriving application of remote operations which businesses introduced in response to the constraints under the pandemic. Next year will see more innovations in technology and more innovative applications or integrations of existing technologies as a result of businesses striving to think out of the box to develop new models of operations under the hardship brought by the pandemic during the past year. And as

smart-living applications quickly spread into all aspects of life these days, the remote and online applications developed during the period of hardship have already been assimilated into business operations and people's lives. Affected by the pandemic, all industries have sped up digitization, and the motor that will drive such business transformation is to further integrate the various technologies. Over the top is the diverse cloud-supported, big data-driven online applications that develop iteratively involving AI, 5G, and edge computing, etc., to perfect these novel applications and that are assimilated into the food, clothing, housing, transportation, entertainment, and finance parts of everyday life. Thus, it is expected that, in 2021, and even in the next 3 to 5 years, the impacts of the Sino-American trade war and the COVID-19 pandemic will continue to accelerate the pace of the smart-living evolution and the pace of the industries' digitization, helping to make us a digital economy and bring structural changes to our industries. Meanwhile, cloud computing, the Internet of Things, AI, and 5G are going into every business and profession, which will impact the pattern of the overall economic development. Each industry will begin quickly to apply new technology such as cloud computing, remote technology tools, remote simulation, digital supply chain management platform, and the like. Digital transformation will bring new business opportunities to the information software and services providers.

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.

(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	2020	As of March 31, 2021
Retail of Daily Commodities and Food	9,375	14,177
Life Insurance	29,754	8,655
Pharmaceuticals	43,365	7,029
Information Services	158,764	39,811
Total	241,258	69,672

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

a. Retail of daily commodities and food

The retail of daily commodities places emphasis on optimizing automatic replenishment, in which the daily replenishment recommendation is automatically calculated based on parameters such as the historical sales volume, the inventory level, and the safety stock of each commodity, to assist store staff in ordering stock and significantly reduce manual ordering time while lowering the out-of-stock ratio, thereby improving the stability in supplying stock.

In December 2020 the Simple Mart online membership interface on Line was updated to streamline the process for offline membership cardholders' binding of online membership. The online membership is activated once the fee is paid at any Simple Mart outlet. The Line official account also added digital label features to record consumer digital activity histories, which can serve as a basis for precision marketing to increase customer retention.

Also, the Company's cosmetics business resources were integrated in 2021, and a pilot project has been launched to sell cosmetics and personal hygiene products at Simple Mart.

As for the F&B retail business, from the consumers' perspective the Company has continued to combine various innovative technologies to accept diverse payment methods to raise the level of satisfaction in consumer experiences. To that end, we have been accepting electronic payment methods such as credit, debit, prepaid, and all-in-one cards and the EasyCard with automatic top-up service.

b. Life insurance

The life insurance business is an element of the financial services industry. The design and R&D of the Company's major products are the responsibilities of the Product Development Department, which has five divisions, namely Product Development Section I, Product Development Section II, Product Development Section III, Investment Product Section, and Product Analytics. The Product Development Sections I, II, and III are mainly responsible for the traditional life insurance, interest-sensitive annuity insurance, health insurance, accident insurance, and group insurance; the Investment Product Section is mainly responsible for

investment-based life and investment-linked annuity insurances; and the Product Analytics Division handles IFRS17-related matters. Each section is responsible for conducting market research and surveys, product development, presale, and after-sales management, and other relevant works specific to the types of insurance or projects for which it is responsible.

As of December 31, 2020, there were 33 employees (including department supervisors) at the Department of Products, accounting for approximately 1.9% of the total office personnel; 31 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); 11 employees have worked at MLI for less than 2 years, another 9 for 2 to 5 years, another 5 for 5 to 8 years, and the remaining 8 for more than 8 years.

The successfully developed products are as follows:

Year	Name of Insurance
2020	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 (DZHSR)
	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 Xiangciai Premium Waiver Health Insurance Accessory Contract (SWPR)
	MLI Jinanxin USD Premium Waiver Health Insurance Accessory Contract (MJWPR)
	MLI Xiangciai 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, 2021	MLI Baojiankang Hospitalization Health Insurance Rider (BHSR)
	MLI Century Fuli Foreign Currency Variable Annuity Insurance
	MLI Century Fuli Foreign Currency Variable Annuity 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 2020, the R&D expenses increased by 11.4% 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

①Establish 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
14	License No.5830245	Japan
15	US 9,718,765 B1	USA
16	3260442	Europe
17	US 10,556,899 B2	USA

②Respond to customers' questions and provide effective solutions quickly.

③Seek for R&D projects with potential and commercialize them efficiently.

C. R&D strategies

①Recruit experienced R&D personnel to improve the capacity for R&D.

②Seek for complementary partners to expand the R&D fields and strengthen cooperation.

③Cooperation with the new drug development companies to enter the development of pharmaceutical products in their early stage.

D. Key R&D projects

①Develop the manufacturing processes and technologies of niche products.

②Expand 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
MAOME XW-10172	CBD	DBPR-112 Terazosin 1B Adenine

d. Information services

For the purposes of assisting clients' integration of business operations to reduce human and materials costs and at the same time increasing the competitiveness of our own products and services, the Company has developed more than 15 new non-financial products and services, as follows:

The Service JDC field management system web-platform and mobile app; the smart gas industry solutions; the occupational safety and health video surveillance management system; the SKMS stock affairs management system; the VRS remote video surveillance management system; the CRM maintenance and repair and contract customer management system; the PeopleSoft Human Capital Management system; the PeopleSoft Campus Solutions; the online document approval mobile app solutions; the mobile solutions for life insurance application and approval process; the 3SiGN new-generation digital kanban; the IVA image analysis services; the self-service meal ordering system; the real-time bidding audiovisual advertisement technology; and mobile marketing service platforms.

In addition, the Company has launched more than 17 new financial products and services, as follows: ATM withdrawal by finger-vein or mobile app authentications; the DMS automated surveillance equipment management system; the E-APT centralized management system for passbook entry machines; the BTS bank branch terminal system; the multimedia guest reception system; the digital form completion system; the smart teller system; the new-generation SR7500 recycling ATM; the new HT-2845-VS recycling ATM with finger-vein authentication; the cash management solutions; the pro payment processing machine (SR7500-CRS7); the foreign currency exchange machine; the teller and vault management system/teller cash recycler (TCR); the ATM application co-development platform; the ATM channel marketing management platform; and the APADE shared automation platform solutions.

Although originally customized for clients, the aforementioned products gradually have been incorporated into the functional modules of the Company’s own products. Moreover, the functionalities of some of the products so developed have differentiated from those of competing products, thereby establishing the thresholds for competition in different projects and increasing profits. Aiming to become the nation's ideal brand of products and services in the minds of customers, the Company will continue actively to develop systems and platforms for integrated applications of various software and hardware, to commit to research and development, and to continue to introduce new products and services that meet customer demands, so to promote customer adhesion and identification with our brand.

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

A. Retail of daily commodities and food

a. Short-term plans

(a) Continue to expand the number of outlets, and through greater economies of scale, to increase the operating revenue as well as the bargaining power over the suppliers.

(b) Continue to expand the franchise and encourage outstanding employees to join the franchise so to enhance unit performance and reduce the operational risks through lower costs of labor.

(c) Optimize logistics management to reduce costs and continue to reduce unnecessary attrition and scrapping.

(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) Continue to optimize operations related to enterprise resource planning (ERP) with effective integration of corporate resources to improve operating efficiency.

(c) Continue to seek out new products and develop new brands while adjusting the product lineup to promote profitability and to spread risks.

(d) Reinforce customer relations management and integrate memberships across brands.

(e) Strengthen personnel training to improve quality of service and storefront management capacities.

(f) Train business management cadets as reserve human resources for diversified development programs initiated by the Company.

(g) 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 also strives to meet the customers' diverse needs for protection and for wealth management, following the movements in the market vigilantly. In response to market demands, we will promote the long-term protection products and lengthen as practicable the premium-paying periods specific to protection products, to lower the incentive for the customers to rescind the contracts and to increase the Company's revenue in mortality-surplus and loading-surplus. We will also promote term protection products, which helps to increase profit under IFRS17 and is consistent with the Company's product strategy to move from whole life to term life insurance. We will further reinforce investment-linked products for the market for seniors and retirees, to encourage the retired population to plan for life after retirement with investment-linked products, which also helps to increase the Company's profit under IFRS17. Lastly, we will push for product combinations of investment-linked master policies with protection product riders to offer more comprehensive protection to the customers.

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

(a) Lease factories from, and contract OEM with, other pharmaceutical manufacturers to meet the customer needs.

(b) Evaluate and plan which factories and which production lines are prioritized for rebuilding and restoration.

(c) Evaluate and plan for the construction of the factory complex at the Guanyin Industrial Park.

b. Mid-term plan

(a) Continue to introduce more intermediates and APIs and reinforce the development of APIs because APIs have high entry barriers and are subject to stringent regulations so that further development of the API market will increase the Company's competitiveness in the future.

(b) Maintain good relations with the existing customer base and actively develop new customers to increase each product's growth momentum.

(c) Optimize the product lineup and eliminate products that contribute little.

(d) Optimize the production process, lower costs, and increase competitiveness.

(e) Optimize production scheduling and reduce production line replacement items' maintenance costs.

(f) Construct the factory complex at the Guanyin Industrial Park.

c. Long-term plans

(a) Develop and secure new businesses related to new drugs, capturing business opportunities from the early stage of development.

(b) Develop new production capacities while growing the business and introduce the latest technologies and equipment.

(c) Continue to improve and refine the production process and secure patents on those for niche products to improve production efficiency.

(d) Cultivate talents with global perspectives for the Company’s future growth.

(e) Promote circular economy and reduce the environmental impact of business operations while lowering operating costs and increasing competitiveness.

B. Information services

Business Development	Short-term Plans	Mid-term and Long-term Plans
Customer Aspect	◎ Carefully screen for first rate customers and major projects. ◎ Provide customers with solutions and support package requirements to improve customer satisfaction.	◎ Continue to develop and manage Major Accounts. ◎ Setup customer-oriented and customized systems to establish a comprehensive system database.
Product Aspect	◎ Expand distribution rights for product categories. ◎ Reduce costs and strengthen risk control to foster competitiveness. ◎ Improve the executive ability for various products. ◎ Improve core competitive advantages of quality, date of delivery, and cost. ◎ Include international goods to provide products with competitive pricing.	◎ Improve the proportion of domestically produced parts for ATMs. ◎ Promote core products and core services to provide better professionalism and added value. ◎ Improve R&D standards and capabilities to support new product development. ◎ Provide a diverse selection of cloud applications and services. ◎ Continue to expand and develop new business models to create product differentiation and value.
Market Aspect	◎ Current performance and lessons of success shall be replicated for other customers with similar requirements. ◎ Improve technical exchanges with other companies to promote technological development, product applications, and satisfy market requirements. ◎ Actively support new product development to expand upon the existing scope of business. ◎ Actively participate in international exhibits to gain familiarity over the latest developments and trends of the market.	◎ Identify long-term strategic partnerships with domestic and overseas companies to access market resources on information and technology. ◎ Form strategic alliances with both competing and non-competing companies to improve profitability of core businesses. ◎ Promote competitiveness in response to globalization and to promote strategic alliances with local and overseas companies. ◎ Establish cross-Strait work specialization and continue to expand the overseas market.

2. Market and sales overview

(1) Market analysis

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

a. Retail of daily commodities and food

The scope of business includes the sale of daily commodities, food, shoes, alcohols, tobacco, catering, furniture, and kitchenware.

Sales Performance (by Region) in 2020

Unit: Thousand NT$

Region	Retail of Daily Commodities and Food	(%)
Taipei, Keelung, Yilan, and Hualien	10,805,734	48.44
Taoyuan, Hsinchu, and Miaoli	3,857,072	17.29
Taichung, Changhua, and Nantou	2,999,322	13.45
Yunlin, Chiayi, and Tainan	1,813,002	8.13
Kaoshiung and Pingtung	2,141,045	9.60
Overseas and Mainland China Areas	12,188	0.05
Subtotal	21,628,363	96.96
Other Income	677,623	3.04
Total	22,305,986	100

b. Life insurance

A total of six branch offices, namely Taipei, Taichung, Chiayi, Tainan, Kaohsiung, and International Insurance, and 281 service offices have been established to provide services throughout the nation. MLI became public on Dec. 18, 2012, and will continue wholeheartedly to develop the market in Taiwan. We focus on providing protection insurance and investment-linked insurance through a highly capable, high-quality business team and an extraordinary administrative team and continue to provide a comprehensive range of products along with innovative services to create lasting values for our customers, shareholders, as well as employees and to give back and contribute more to the society and our nation.

An outstanding business team is the utmost asset of a company. MLI's business force ranked in 6th place in the industry, numbering 11,408 as of December 2020. They are highly productive and are also competitive in the markets for central and south Taiwan. Also, following the establishment of the Chiayi and Tainan regions in August 2006, we established the Taoyuan-Hsinchu region in November 2011 to reinforce the battle worthiness of our business team.

c. Pharmaceuticals

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

Unit: Thousand NT$

Business Areas \ Year		2019		2020		2021Q1	
		Sales	(%)	Sales	(%)	Sales	(%)
Export	Europe	1,271,195	53.96	1,422,867	52.91	161,884	50.02
	Americas	341,430	14.49	479,583	17.83	27,585	8.52
	Asia	502,512	21.33	455,464	16.94	81,388	25.15
	Others	19,555	0.84	106,839	3.97	13,172	4.07
	Subtotal	2,134,692	90.62	2,464,753	91.65	284,029	87.76
Domestic Sales		221,055	9.38	224,469	8.35	39,597	12.24
Total		2,355,747	100	2,689,222	100	323,626	100

d. Information services

The product sales in the 3 most recent years were primarily achieved in the domestic market. In 2020, domestic sales revenue accounted for 95.99% of total operating revenue, while export revenue accounted for 4.01% , 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 Ministry of Economic Affairs, Department of Statistics, the 2020 domestic retail sales of textiles and apparel, supermarkets, convenience stores, and F&B were NT$288 billion, NT$229.9 bilion, NT$361 billion, and NT$777.6 billion, respectively, totaling NT$1,656.5 billion. The Company's revenue in the

retail of daily commodities and food in 2020 was NT$22.3 billion, representing a market share of 1.35%.

b. Life insurance

The Taiwan Insurance Institute's statistics concerning the market shares of domestic life insurance companies' premium incomes showed the Company's market shares in the last two years as follows:

Premium Income and Market Share of Local Insurance Companies

Unit: NT$100 Million

Year	Total premium income for the life insurance industry	Premium Income	Market share(%)
2019	34,667	1,485	4.28
2020	31,640	1,335	4.22

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 31,216 ATMs in Taiwan. ATMs provided by MDS account for 47.88%, 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	2016	2017	2018	2019	2020
Population (1,000 people)	23,516	23,556	23,580	23,596	23,582
National Income (NT$ Million)	14,992,247	15,120,728	15,332,284	16,209,945	17,046,733
Number of Effective Contracts (in Thousand)	56,578	57,995	58,842	60,445	61,376
Coverage of Effective Contracts (NT$ Million)	43,182,644	44,341,032	47,107,404	49,230,066	50,171,227
Total Premium Income (NT$ Million)	3,133,357	3,420,233	3,511,560	3,466,688	3,163,957
Insurance Coverage (Note)	240.59%	246.21%	249.54%	256.17%	260.27%
Prevalence (Note)	288.03%	293.25%	307.24%	303.70%	294.32%
Premium as a Proportion of National Income	20.90%	22.62%	22.90%	21.39%	18.56%
Economic Growth	1.41%	2.84%	2.60%	2.71%	3.11%

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 2020 grew slightly compared to 2019, 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

① 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

② Less than those of other retail franchises for daily commodities, Simple Mart's franchise-to-chain ratio is less than 30%, leaving considerable room to grow the franchise and increase profit. Because the franchise staff are more stable than the regular chain's, and because Simple Mart has a profit-sharing franchise structure in which customer relations weigh, by growing the franchise we can obtain higher profit than in the case of a regular chain by leveraging the familiarity of the franchisees with the local business environment to secure a more stable customer base. Also, as the proportion of our franchise is lesser than average, we can test those strategically introduced novel items, which tend to have higher scrap rate, in the chain stores before selling them regularly in the franchise stores, so as to have more flexibility in promotion.

(b) Favorable Factors

① The consumer characteristics of Taiwan's domestic market are aging population, single-living, low birth rate, and a relative stale level of personal income. For these reasons the general consumption pattern have moved from bulk purchasing to more planned buying. Under the stay-at-home economy in which communications and smart mobile devices continue to improve and prevail in the population, new business opportunities involving proximity services naturally emerge as the consumers get adept at using the communications devices and the social media in consumption decision making. In the face of the emerging niche markets, we will work with professional market research firms on top of our own operating experience to capture new sales opportunities timely and decisively, to meet the consumers' needs to one-stop shop daily commodities and food. In addition, as consumers increasingly are spending time online, we will also apply the experience in managing offline membership to the integration with online operations and provide for the customers' consumption needs seamlessly and comprehensively under the omni-channel model. Besides adopting new strategies in response to changes in consumption patterns, we will continue to develop business opportunities in the areas of exclusive import, our own brands, online shopping, senior consumers, healthy food, single-living and small family markets, and dining out, which all have high growth potentials.

② We will explore business opportunities with cross-industry partnerships such as to partner with the logistics services provider Maple Logistics Express to provide for the convenience in product delivery services, so that we can work with products and e-commerce platforms to capture new business opportunities with online shopping and become a new channel through which consumers can pick up the commodities that they shopped online. We hope to partner with a multitude of delivery services platforms to provide food and large parcel delivery services, and for the purposes of attracting customer patronage and increasing per customer transaction and profit, to form strategic alliances with known cosmeceutical brands to offer health and nutrition products and more diverse personal hygiene products to expand the product lineup at Simple Mart.

③ The brand is well-known and trusted by consumers.

④ 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.

③High homogeneity and replace ability of products have led to intense competition between different companies. Factors such as price competition within the sector, companies from other sectors competing for market share, and convenience stores and vendors competing for the food service market have fragmented the market and reduced profitability.

(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

①Established 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 innovation is the fundamental spirit of the Company. At the 2020 "Smart Business Weekly Insurance Award" ceremony, upon objective but rigorous scrutiny of the lifelong medical insurance products on the markets, the MLI Haoyang Lifelong Surgery Health Insurance (HYSI) received the honor of "Smart Recommended Outstanding Insurance Policy" as it has claimable outpatient surgeries, benefits for specific medical procedures, a higher value for money compared to similar products (surgery master policy), and a death benefit of 110% of the premium paid, which was the highest among similar products. And the MLI Century Dali Variable Universal Whole Life Insurance (NSVUL) received the "Ten Outstanding Products Award" at the twentieth Golden Peak Award ceremony, and further received the "Best Products Award" at the seventeenth National Brand Yushan Award ceremony on Oct. 6, 2020, showing that the Company has an innovative, reliable image in the consumers' minds and could be a model for newcomers to the life insurance business.

② Goal of stable business growth and achievements

Stable growth and continuous profitability are the goals that the Company strives for. In 2020, MLI's new contract premium income was NT$27.5 billion, total premium income was NT$133.5 billion, disposable funds were NT$1,201.6 billion, and total assets were NT$1,338.8 billion. It is one of the top new life insurance companies whose total assets crossed over NT$1 trillion in 2017 to become a trillion-dollar company.

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 2004-2011 and 2014-2020 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.

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

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

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

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

(c) Negative factors

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

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

③Competent authorities may establish increasingly stringent regulatory requirements for products.

(d) Response strategies

①Improve asset and liability coordination and management to reduce potential financial and sales risks.

②Promote diversification of sales channels and expand the sources of sales contact and interfaces.

③Release a diverse and comprehensive selection of life insurance products so that the insured could acquire the needed protection within a single purchase.

④Uphold the corporate culture and principle of "Commitment and Friendship for Life" to acquire the support of the insured.

c. Pharmaceuticals

(a) Competitive niches

① Professional R&D team

The R&D personnel specializes in chemical synthesis. SCI Pharmtech's R&D team is capable of timely developing the products within the stringent requirements as demanded by the customers, which helps the Company to innovate and capture business opportunities.

②Quality products

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 2020, 11 customers conducted on-site audits and were satisfied with the auditing results.

③ Advanced production technology and equipment

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 30 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.

④ Adequate cost management

SCI Pharmtech has developed and refined process technologies to achieve competitive costs and has patented some of the technologies in the US and Europe to gain competitive advantages in those markets. Assisted by a complete supply chain, SCI Pharmtech timely meets the customers' demands and has gradually raised the profit in the recent years in the global market in which competition has been getting ever more intense. The accomplishment is truly remarkable.

⑤Marketing

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

The US FDA has provided a friendly drug approval process which is conducive to the development of the medical industry. As the FDA had accelerated the review process, there were a record of 59 new drugs approved in 2018 and 48 in 2019.

(c)Negative factors

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

②The 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.

③The science-isolationism intensified by the state of the global politics has adversely affected the cooperation and sharing of the scientific and medical researches.

④The COVID-19 pandemic continues to plague the world and might cause a breakage in the supply chains for the pharmaceutical raw materials and semi-finished products, about 80% of which comes from China and India.

(d)Response strategies

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

②Work with the original drug developers to enter the patented drug market which offered greater profits.

③Recruit R&D talents around the world and solidify capability in R&D to meet customers' needs.

④The Company should sign the API production contracts with new drug developers to increase long-term cooperation in clinical experiments.

⑤The 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.

⑥Continually evaluate the raw materials supply chain and establish alternative suppliers in different countries to avoid the risk of supply chain interruption.

⑦In planning for new production lines or upgrading old equipment, emphasize on automation and the concept of smart factory to increase production efficiency.

d. Information services

(a)Competitive niches and positive factors for development vision

①MDS has more than 40 years of experience in the ATM market, making it possible to fulfill the customers' standards and requirements for technical support, product functions, and operational reliability.

②Banks have already started to replace manual labor with automated equipment as a key cost reduction strategy. This would increase the banks' demands for ATM, cash deposit machines, and passbook entry machines.

③To improve software development capabilities, MDS passed re-certification for CMMI Level 3 software development capabilities. During the process improvement, MDS has integrated the process of the investment in Mercuries Soft (Nanjing) Ltd., laying a good foundation for its software business in Greater China.

④Customers are looking for the means of improving efficiency and lowering costs, leading to growing demand for system integration at increasingly larger scales. Many projects will involve installation throughout Taiwan. A comprehensive service network in various areas (including remote islands) will provide accessible and quick services and improve customer reliance and confidence.

⑤The information service market is facing growing competition. Profitability of traditional software and hardware has been compressed and reduced due to the emergence of competitors claiming their respective market shares. Comprehensive solution, excellent post-sales services, and other professional services can be provided to improve customer reliance and confidence. Total Solution professional services will support sales of IT products and lead system integration services.

⑥Certifications to standards such as ISO 9001:2008, CMMI Level III, and ISO 27001 have been acquired. Capabilities in quality control and enforcement have been certified to international standards, and the ability in handling large-scale system integration projects has been widely recognized.

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.

⑦Use soft skills to complement hard skills in building know-how and instill innovation in elements of services to achieve a diverse, innovative operating model.

(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.

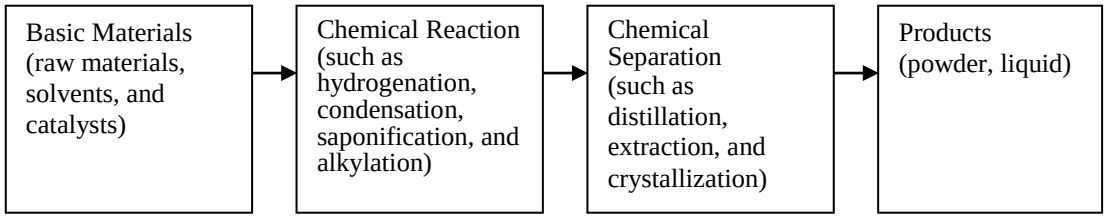
C. Pharmaceuticals

a. Major uses of the primary products:

	Name of Primary Product	Primary Purpose
APIs	VA	Antiepileptic and anticonvulsant
	Probucol	Antiatheroscloresis
	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
	Atomoxetine HCl	ADHD
API Intermediate	Pent-2	Anesthetics
	PGA	Antiparkinson medication
	NBE	Sleeping pills and anesthetics for surgical use
	5-HMT	Anti-AIDS
	BOV	Steroid
	(S)-MMAA	Anti-depression
	HOCLQ	Anti-malaria
	Prop-3	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、Nantong Kaixin Pharma Chemical Co.	Excellent
Sodium ethoxide	Hebei chengxin Co., Ltd	Excellent
Sodium	Nisso Shoji(MSSA)、Inner Mongolia Lantai Sodium Industry	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	YinChuan QingFeng Feng Da Technology Co., Ltd.	Stable, but with considerable price increase.

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$

	2019				2020				As of Q1 2021			
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 2021(%)	Relationship with the Issuer
1	Taiwan Tobacco and alcohol	2,033,575	15.15	None	Taiwan Tobacco and alcohol	2,234,866	15.02	None	Taiwan Tobacco and alcohol	270,594	7.74	None
	Others	11,386,631	84.85		Others	12,640,871	84.98		Others	3,224,199	92.26	
	Net Purchase	13,420,206	100		Net Purchase	14,875,737	100		Net Purchase	3,494,793	100	

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

	2019				2020				As of Q1 2021			
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 2021(%)	Relationship with the Issuer
1	Customer B	345,627	14.67	None	Customer A	296,613	11.03	None	Customer C	74,816	23.12	None
2	Customer C	286,704	12.17	None	Customer C	295,751	11.00	None	Others	248,810	76.88	None
3	Others	1,723,416	73.16	None	Others	2,096,858	77.97	None				
	Net Sales	2,355,747	100		Net Sales	2,689,222	100		Net Sales	323,626	100	

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:

In 2019, due to inventory digestion, net sales to Customer A decreased by about NT$200 million to the 7th place. Customer A ranked in the first place in 2020 when it resumed normal purchase.

Customer B held first place in 2019, but due to restructuring and acquisition in 2020, split to hold third place as Customer U and fifth place as Customer T.

c. Primary goods supplier

Unit: Thousand NT$

2019					2020					As of Q1 2021				
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	A	204,568	26.93	None	1	A	210,177	26.59	None	1	A	15,871	56.26	None
2	B	82,340	10.84	None	2	C	78,055	9.88	None	2	D	7,432	26.34	None
3	Others	472,641	62.23	None	3	Others	502,097	63.53	None	3	Others	4,907	17.40	None
	Net Purchase	759,549	100			Net Purchase	790,329	100			Net Purchase	28,210	100	

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:

In 2020, due to changes in product combination, net purchase from Supplier D increased to 9.88%, ranked in the second place. Suppler B, who ranked in the second place in 2019, became the third place in 2020.

In the first quarter of 2021, because of the halt of production, the net purchase decreased significantly from the second-largest supplier D. It was due to the Company's leasing of factories from its peers for the production of PGA materials.

D. Information services

List of Major Customers for the Most Recent Two Years

Unit: Thousand NT$

	2019				2020				As of Q1 2021			
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	318,935	10.49	None	Customer A	-	-	-	Customer A	-	-	-
2	Customer B	-	-	-	Customer B	381,450	12.62	None	Customer B	-	-	-
3	Customer C	-	-	-	Customer C	-	-	-	Customer C	80,627	11.79	None
4	Others	2,720,751	89.51	None	Customer D	2,640,509	87.38	None	Customer D	603,127	88.21	None
	Net Sales	3,039,686	100		Net Sales	3,021,959	100		Net Sales	683,754	100	

Reason for changes: Based upon business needs.

List of Major Suppliers in the Most Recent Two Years

Unit: Thousand NT$

	2019				2020				As of Q1 2021			
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.	363,044	17.60	None	Hitachi-Omron Terminal Solutions,Corp.	439,523	22.32	None	Hitachi-Omron Terminal Solutions,Corp.	120,418	13.20	None
2	-	-	-	-	-	-	-	-	Oracle TaiwanLLC, Taiwan Branch (U.S.A.)	408,447	44.78	None
3	-	-	-	-	-	-	-	-	SyspowerCorporation	95,000	10.42	None
4	Others	1,700,090	82.40	None	Others	1,529,792	77.68	None	Others	288,152	31.60	None
	Net Purchase	2,063,134	100		Net Purchase	1,969,315	100		Net Purchase	912,017	100	

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$

Year / Production Volume/Value / Primary Product (or Department)	2019			2020		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
APIs	3,700	722	1,151,494	3,700	1,055	1,240,562
API intermediate		134	489,871		304	566,482
Others		1,126	149,642		914	102,740
Total	3,700	1,982	1,791,007	3,700	2,273	1,909,734

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:There was an explosion causing a catastrophic fire on Dec. 20, 2020. The current production capacity is 0.

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$

Year / Primary Product	Sales Value in 2019	Sales Value in 2020
Retail of daily commodities and food	21,036,893	22,305,986

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	2019		2020	
	Number of Effective	Total Premium Income	Number of Effective	Total Premium Income
Life Insurance	3,446,337	78,704,084	3,453,461	65,452,714
Health Insurance	8,598,223	36,723,389	8,659,398	37,143,883
Accident Insurance	3,544,672	3,374,832	3,610,855	3,411,480
Pension Insurance	30,569	200,603	26,515	2,997
Universal	23,856	565,199	22,646	530,305
Investment	312,289	2,196,546	339,380	2,289,171
Group Insurance	1,071,471	812,846	1,693,611	806,830
Total	17,027,417	122,577,499	17,805,866	109,637,380

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

Year / Production Volume/Value / Primary Product (or Department)	2019				2020			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
APIs	29.66	65,375	589.64	1,480,894	45.17	84,995	770.00	1,877,652
API Intermediate	0.01	322	188.04	627,641	1.12	11,981	186.92	585,515
Others	1,154.38	154,511	0.01	27,004	898.06	127,493	0	1,586
Total	1,184.05	220,208	777.69	2,135,539	944.35	224,469	956.92	2,464,753

D. Information services

Unit: Thousand NT$

Year / Production Volume/Value / Primary Product (or Department)	2019				2020			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Automated Financial Service Machines	2,692	723,190			2,243	606,633		
System Integration Services		1,333,142				1,339,948		
Maintenance and Repairs		790,316				921,575		
Others		96,675		96,363		32,602		121,201
Total	2,692	2,943,323		96,363	2,243	2,900,758		121,201

3. Information of employees for the 2 most recent years

Major Invested Company	Item \ Year		2019	2020	(Note)
Retail of Daily Commodities and Food	Number of Employees	General Employees	4,591	4,921	4,796
		Hourly Employees	4,493	4,787	4,736
		Total	9,084	9,708	9,532
	Average Age		29.60	29.97	30.25
	Average Years of Service		2.90	3.13	3.25
	Education Distribution (%)	PhD	0	0	0
		Master	0.71%	0.86%	0.83%
		University/College	50.63%	57.10%	56.92%
		High School	46.13%	34.36%	34.44%
		Below High School	2.53%	7.68%	7.81%
Life Insurance	Number of Employees	Office Staff	1,646	1,720	1,742
		Field Staff	12,553	11,408	11,214
		Total	14,199	13,128	12,956
	Average Age		37.51	39.84	40.00
	Average Years of Service		8.35	10.49	10.66
	Education Distribution (%)	PhD	0.01%	0.02%	0.02%
		Master	6.38%	6.76%	6.78%
		University/College	72.29%	72.23%	72.46%
		High School	20.83%	20.48%	20.25%
		Below High School	0.49%	0.51%	0.49%
Pharmaceuticals	Number of Employees	Managerial Level or Above	12	12	12
		General Employees	253	266	219
		Total	265	278	231
	Average Age		39.09	39.62	40.89
	Average Years of Service		9.00	9.35	10.43
	Education Distribution (%)	PhD	3.40%	3.24%	3.90%
		Master	13.21%	14.39%	17.75%
		University/College	54.34%	53.60%	61.90%
		Senior or Vocational High School	12.45%	12.59%	14.72%
		Below High School	16.60%	16.18%	1.73%
Information Services	Number of Employees	Sales	85	99	100
		Hardware Services	362	348	347
		Software Services	205	223	234
		Administration	96	102	107
		Total	748	772	788
	Average Age		39.23	40.24	40.00
	Average Years of Service		8.48	9.53	9.53
	Education Distribution (%)	PhD	0.14%	0.13%	0.13%
		Master	6.91%	7.64%	7.49%
		University/College	87.68%	89.25%	89.46%
		High School	5.14%	2.85%	2.79%
		Below High School	0.13%	0.13%	0.13%

Note: For Life Insurance was acquired as of Feb. 28, 2021；for Pharmaceuticals, Retail of Daily Commodities & Food, Information Services, information were acquired as of March 31, 2021.

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

a. 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$10,567 thousand was paid to the service provider every year to handle wastes produced from business.

b. Losses incurred for environmental pollution:

Unit: NTD

Date	Agency document/citation number	Reason for citation	Amount fined
2020.10.27	Fei-Tzu No. 41-109-102680	Nangang Fude Store, violation of the Waste Disposal Act.	1,200
2021.3.2	Hsin-Pei-Huan-Wei-Yung-Tzu No. 1100353595	Yunghe Anle Store II, violation of the Waste Disposal Act.	1,200

c. Response/solution (including remedial measures) and potential costs:

To maintain store sanitation, the personnel involved have been required to conduct tighter inspections and regular cleanup of the premises and to have regular checkup on the wastewater and sewage flows, and contracts have been entered into with the waste disposal companies for regular waste removal services, so further citations for environmental pollution can be avoided.

B. Life insurance

a. There was no compensation or penalty for losses caused by environment pollution.

b. 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 2020 was approximately NT$5,310 thousand.

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

Part of the waste generated in the production process was processed by an in-house wastewater treatment system operated by specialty personnel, and once processed past the regulatory standard, the effluent would then be released to the water cycle outside the factory. SCI Pharmtech has obtained a wastewater/sewage release permit from the Taoyuan County government, numbered "Fu-Huan-Shui-Tzu No. 1090199881, Tao-Hsien-Huan-Pai-Hsu-Tzu No. H0558-07," effective from Aug. 11, 2020, to Aug. 10, 2025. SCI Pharmtech has also laid underground wastewater pipelines so that the wastewater would not contaminate the irrigation ditches for the farmlands.

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

Note: Pharmaceutical/General Manufacturing Process M04 will be reapplied upon completing the rebuild of the factory.

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 2020, air pollution prevention fees paid amounted to NT$999,416 Subcontracted processing fees amounted to NT$80,004,624; internal processing expenses amounted to NT$33,474,780.

(c) Conditions for setting up dedicated units for environmental protection
A total of 9 employees were assigned to the environmental protection department.

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

b. Total losses (including fines) caused by environmental pollution for the most recent fiscal year up to the printing date of this annual report: None.
   (a) The fire produced granular pollutants that spread in the air and over private properties, which violated the Air Pollution Control Act and led to a fine of NT$225 thousand by the Department of Environmental Protection.
   (b) The spillage of the wastewater from firefighting into the water main violated the Water Pollution Control Act and led to a fine of NT$ 33 thousand by the Department of Environmental Protection.
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:

b. 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.

c. 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 2020, a total of 96,723 individuals participated in preliminary training and on-job training held inside and outside the Company. Total training expenses amounted to NT$22,987 thousand. The number of life insurance personnel who received the employment examination assistance in 2020 was 701. The assistance total was NT$4,556 thousand.

d. 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.

e. 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. Each subsidiary also employed, as necessary, on-site specialty physicians to serve the employees. The nurses regularly scheduled employees, drivers, middle-aged or senior employees, employees with high cardiovascular risk or who were pregnant, and female employees within one year of giving birth, with priority given in the reverse order, for consultation. Employees could also request appointments for physical or mental health in-person consultations.

f. 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.

g. 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.

h. 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.

i. Implementation situations: In 2020, 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

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

Disposition date	Disposition order number	Regulation violated	Description of the Violation	Dispostion
2020.2.17	Hsin-Pei-Fu-Lao-Chien-Tzu No. 1094763999	Article 24 of the Labor Standards Act	Works on the rest days were not paid the legal overtime rate. .	NT$50,000 fine
2020.4.23	Hsin-Pei-Fu-Lao-Chien-Tzu No. 1094772781	Article 24 of the Labor Standards Act	Overtime wages for works on national holidays were not complied with.	NT$100,000 fine

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

(c) Response measures: N/A.

b. Life insurance

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

Unit: NT$ thousand

Item	2020	As of the first quarter in 2021
(1) Labor disputes (cases)	11	–
(2) Incurred loss amount	6	-
(3) Estimated potential loss in the future	-	–
(4) Response measures by the Company	Five labour disputes were settled, 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. The were pedestrian passes laid out in each factory to separate pedestrians from vehicle traffic.
n. SCI Pharmtech voluntarily cooperated with the Taoyuan City Department of Environmental Protection's ozone improvement project: Following each air quality warning, SCI Pharmtech would voluntarily shut down the production equipment in the factory from 6 a.m. to 12 p.m. on the next day, or postpone production until thereafter.
o. Implementation status: In 2020, 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	2020.11~2023.11	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Yuanta Bank	2020.12~2022.12	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Bank SinoPac	2020.08~2022.08	Long-term loan to support operation capital and improve financial structure	None
Loan contract	E. Sun Bank	2020.06~2022.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Shin Kong Bank	2020.11~2022.11	Long-term loan to support operation capital and improve financial structure	None
Loan contract	First Bank	2020.02~2022.02	Long-term loan to support operation capital and improve financial structure	None
Loan contract	JihSun Bank	2020.06~2022.06	Long-term loan to support operation capital and improve financial structure	None
Loan contract	BEA Bank	2020.05~2022.05	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taipei Fubon Bank	2020.01~2022.01	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taiwan SME Bank	2020.09~2022.09	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Land Bank	2020.01~2022.01	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Cathay United Bank	2020.12~2023.02	Long-term loan to support operation capital and improve financial structure	None
Loan contract	Taichung Bank	2020.12~2023.12	Long-term loan to support operation capital and improve financial structure	None
Warranted syndicated loan agreements	O-Bank and 13 other banks participating in the warranted syndicated loan	2017.12~2022.12	Syndicated loan in response to medium-term working capital and improvement in the financial structure	Note 1
Warranted syndicated loan agreements	Taishin International Bank and 11 other banks participating in the syndicated loan	2019.12~2024.12	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: To fund the mid-term working capital and for the purpose of improving its financial structure, the Company has entered a contract with a number of the listed banks for long-term commercial papers and credit loans. Terms of this loan contract stipulated that the Company must maintain 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$

Item \ Year		Financial Summary for The Last Five Years				
		2016	2017	2018	2019(Note3)	2020
Current assets		149,832,739	152,552,568	160,854,167	187,578,955	237,423,940
Property, plant, and equipment Right-of-use assets (Note 1)		15,400,800	15,272,753	15,349,993	18,432,451	19,258,640
Intangible assets		61,612	127,112	200,649	220,865	210,814
Other assets		803,493,776	904,522,834	986,786,826	1,081,955,997	1,108,519,465
Total assets		968,788,927	1,072,475,267	1,163,191,635	1,288,185,268	1,365,412,859
Current liabilities	Before distribution	13,941,747	14,218,340	12,999,499	15,229,719	15,938,752
	After distribution	14,442,526	14,830,709	13,412,840	16,056,402	16,848,103 (Note 2)
Non-current liabilities		921,284,469	1,017,405,443	1,121,371,279	1,225,244,381	1,302,659,726
Total liabilities	Before distribution	935,226,216	1,031,623,783	1,134,370,778	1,240,474,100	1,318,598,478
	After distribution	935,726,995	1,032,236,152	1,134,784,119	1,241,300,783	1,319,507,829 (Note 2)
Total equity attributable to owners of the parent		14,119,373	16,916,015	10,863,603	20,572,700	19,629,142
Common stock		7,153,989	7,654,617	8,266,827	8,266,827	9,903,510
Capital surplus		1,032,182	1,012,896	2,233,713	1,913,531	2,032,125
Retained earnings	Before distribution	7,816,486	8,410,394	6,599,377	12,665,052	12,123,192
	After distribution	6,814,928	7,185,656	6,599,377	11,011,687	11,213,841 (Note 2)
Other equity interest		(1,350,612)	370,780	(5,703,642)	(1,740,041)	(3,087,013)
Treasury stocks		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Non-controlling interest		19,443,338	23,935,469	17,957,254	27,138,468	27,185,239
Total equity	Before distribution	33,562,711	40,851,484	28,820,857	47,711,168	46,814,381
	After distribution	33,061,932	40,239,115	28,407,516	46,884,485	45,905,030 (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 31, 2021, the Board of Directors decided to distribute cash dividends in the amount of NT$909,351 thousand, pending the resolution at the shareholders' meeting.

Note 3: Restated.

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

Unit: Thousand NT$

Item \ Year	Financial Summary for The Last Five Years				
	2016	2017	2018	2019(Note1)	2020
Operating revenue	205,368,649	238,955,722	225,193,699	228,659,310	210,659,310
Operating margin(loss)	--	--	--	--	--
Net operating income (loss)	--	--	--	--	--
Non-operating income and expense	--	--	--	--	--
Profit (loss) before tax	3,770,725	3,824,660	(328,223)	6,764,581	3,171,986
Net profit (loss) from continuing operations	3,616,744	3,396,996	486,301	6,554,718	2,522,479
Income from discontinued	--	--	--	--	--
Net profit (loss) for the year	3,616,744	3,396,996	486,301	6,554,718	2,522,479
Other comprehensive income (loss)(income after tax)	1,533,820	3,585,105	(15,476,737)	8,815,334	(2,953,172)
Total comprehensive income for	5,150,564	6,982,101	(14,990,436)	15,370,052	(430,693)
Net profit (loss) attributable to Owners of parent	2,049,513	1,640,955	332,019	3,451,578	1,397,680
Net profit (loss) attributable to Non-controlling	1,567,231	1,756,041	154,282	3,103,140	1,124,799
Total comprehensive income (loss) attributable to Owners of parent	2,866,570	3,389,212	(6,760,679)	7,443,294	72,754
Total comprehensive income (loss) attributable to Non-controlling interests	2,283,994	3,592,889	(8,229,757)	7,926,758	(503,447)
Earnings per share(Note2)	2.39	1.91	0.39	4.03	1.63

Note 1: Restated.
Note 2: Retrospective adjustment.

(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$

Item \ Year		Financial Summary for The Last Five Years				
		2016	2017	2018	2019(Note3)	2020
Current assets		252,171	271,234	250,051	222,856	109,198
Property, plant, and equipment (PP&E) (Note 1)		414,256	380,724	376,626	2,451	3,406
Intangible assets		--	--	--	--	208
Other assets		21,819,613	24,936,956	18,478,614	28,948,563	28,281,979
Total assets		22,486,040	25,588,914	19,105,291	29,173,870	28,394,791
Current liabilities	Before distribution	94,626	177,800	216,282	175,134	172,512
	After distribution	595,405	790,169	629,623	1,001,817	1,081,863 (Note 2)
Non-current liabilities		8,272,041	8,495,099	8,025,406	8,426,036	8,593,137
Total liabilities	Before distribution	8,366,667	8,672,899	8,241,688	8,601,170	8,765,649
	After distribution	8,867,446	9,285,268	8,655,029	9,427,853	9,675,000 (Note 2)
Common stock		7,153,989	7,654,617	8,266,827	8,266,827	9,093,510
Capital surplus		1,032,182	1,012,896	2,233,713	1,913,534	2,032,125
Retained earnings	Before distribution	7,816,486	8,410,394	6,599,377	12,665,052	12,123,192
	After distribution	6,814,928	7,185,656	6,599,377	11,011,687	11,213,841 (Note 2)
Other equity interest		(1,350,612)	370,780	(5,703,642)	(1,740,041)	(3,087,013)
Treasury stock		(532,672)	(532,672)	(532,672)	(532,672)	(532,672)
Total equity	Before distribution	14,119,373	16,916,015	10,863,603	20,572,700	19,629,142
	After distribution	13,618,594	16,303,646	10,450,262	19,746,017	18,719,791 (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 revalution 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 21, 2021, the Board of Directors decided to distribute cash dividends in the amount of NT$909,351 thousand, pending the resolution at the shareholders' meeting.

Note 3: Restated.

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

Unit: Thousand NT$

Item \ Year	Financial Summary for The Last Five Years				
	2016	2017	2018	2019 (Note1)	2020
Operating revenue	2,354,851	1,963,153	680,260	3,613,550	1,160,699
Operating margin(loss)	2,301,870	1,947,412	664,482	3,613,550	1,610,699
Net operating income (loss)	2,154,290	1,807,427	557,356	3,452,947	1,473,675
Non-operating income and expense	(105,295)	(64,998)	(57,512)	(7,430)	(14,310)
Profit (loss) before tax	2,048,995	1,742,429	499,844	3,445,517	1,459,365
Net profit (loss) from continuing operations	2,049,513	1,640,955	332,019	3,451,578	1,397,670
Income from discontinued operations	--	--	--	--	--
Net profit (loss) for the year	2,049,513	1,640,955	332,019	3,451,578	1,397,680
Other comprehensive income (loss) (income after tax)	817,056	1,748,257	(7,092,698)	3,991,716	(1,324,926)
Total comprehensive income for the year	2,866,569	3,389,212	(6,760,679)	7,443,294	72,754
Net profit (loss) attributable to Owners of parent	--	--	--	--	--
Net profit (loss) attributable to Non-controlling interests	--	--	--	--	--
Total comprehensive income (loss) attributable to Owners of parent	--	--	--	--	--
Total comprehensive income (loss) attributable to Non-controlling interests	--	--	--	--	--
Earnings per share(Note2)	2.39	1.91	0.39	4.03	1.63

Note 1: Restated.
Note 2: Retrospective adjustment.

(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
2020	BDO Taiwan	Liu, Ke-Yi and Chang, Shu-Cheng	Unqualified opinion	-
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	-

2. Five-year financial analysis

(1) Consolidated Financial Analysis – Based on IFRS

Item analyzed \ Year		Financial analysis for the last five years				
		2016	2017	2018	2019 (Note2)	2020
Financial structure (%)	Debt Ratio	96.54	96.19	97.52	96.30	96.57
	Ratio of long-term capital to property, plant and equipment	6,199.98	6,929.05	7,493.11	6,914.50	7,007.11
Solvency (%)	Current ratio	1,074.71	1,072.93	1,237.39	1,231.64	1,489.60
	Quick ratio	1,042.83	1,041.62	1,201.98	1,198.39	1,458.39
	Interest earned ratio (times)	2,589.88	2,953.90	(208.57)	4,798.05	2,887.95
Operation performance	Accounts receivable turnover (times)	2.53	2.55	2.47	2.37	2.58
	Average collection period	144.46	142.95	147.68	153.97	141.61
	Inventory turnover (times)	3.43	3.69	3.83	3.68	3.96
	Accounts payable turnover (times)	6.37	6.75	7.03	7.59	8.50
	Average days in sales	106.41	98.92	95.30	94.56	92.17
	Property, plant, and equipment turnover (times)	13.68	15.58	14.71	12.14	11.18
	Total asset turnover(times)	0.22	0.23	0.20	0.19	0.16
Profitability	Return on total assets (%)	0.41	0.34	0.05	0.54	0.20
	Return on equity (%)	11.62	9.13	1.40	17.13	5.34
	Ratio of income before tax to paid-in capital (%)	52.71	49.97	(3.97)	81.83	34.88
	Profit ratio (%)	1.76	1.42	0.22	2.86	1.20
	Earnings per share (NT$) (Retrospective adjustment)	2.39	1.91	0.39	4.03	1.63
Cash flow	Cash flow ratio (%)	675.21	719.74	159.10	629.80	523.40
	Cash flow adequacy ratio (%)	692.48	851.47	1,088.51	1,853.93	3,151.20
	Cash reinvestment ratio (%)	9.76	9.58	1.74	7.40	6.06
Leverage	Operating leverage (DOL)(Note1)	--	--	--	--	--
	Financial leverage (DFL) (Note1)	--	--	--	--	--

Description of causes for changes in financial ratios in the most recent two years.
(Analysis is not required if the change is within 20 %.)

1. Decrease in interest coverage ratio: Mainly because of a substantial decrease in net profit before tax for the current period.
2. Decrease in various financial indicators of profitability: Mainly because of a substantial decrease in profit for the current period.
3. Increase in various financial indicators of cash flow ratio: 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: Restated.
Note 3: Calculation formulas are provided below.

(2) Individual Financial Analysis – Based on IFRS

Item analyzed \ Year		Financial analysis for the last five years				
		2016	2017	2018	2019 (Note1)	2020
Financial structure (%)	Debt Ratio	37.21	33.89	43.14	29.48	30.87
	Ratio of long-term capital to property, plant and equipment	5,405.21	6,674.42	1,050.60	791.07	765.41
Solvency (%)	Current ratio	266.49	152.55	115.61	127.25	63.30
	Quick ratio	266.18	152.20	115.58	126.99	62.24
	Interest earned ratio (times)	1,783.93	1,796.09	716.16	4,228.39	2,812.93
Operation performance	Accounts receivable turnover (times)	86.02	78.64	51.40	227.25	72.99
	Average collection period	4.24	4.64	7.10	1.61	5.00
	Inventory turnover (times)	--	--	--	--	--
	Accounts payable turnover (times)	445.22	--	--	--	--
	Average days in sales	--	--	--	--	--
	Property, plant, and equipment turnover (times)	5.83	4.94	1.80	1.32	0.44
	Total asset turnover(times)	0.11	0.08	0.03	0.15	0.06
Profitability	Return on total assets (%)	10.09	7.18	1.78	14.58	5.01
	Return on equity (%)	15.94	10.57	2.39	21.96	6.95
	Ratio of income before tax to paid-in capital (%)	28.64	22.76	6.05	41.68	16.05
	Profit ratio (%)	87.03	83.59	48.81	95.52	86.77
	Earnings per share (NT$)	2.39	1.91	0.39	4.03	1.63
Cash flow	Cash flow ratio (%)	178.09	360.02	106.23	207.69	461.55
	Cash flow adequacy ratio (%)	27.48	34.14	41.99	36.50	55.59
	Cash reinvestment ratio (%)	(1.07)	0.55	(2.01)	(0.17)	(0.11)
Leverage	Operating leverage (DOL)	1.00	1.00	1.00	1.00	1.00
	Financial leverage (DFL)	1.06	1.06	1.17	1.02	1.04

Description of causes for changes in financial ratios in the most recent two years.
(Analysis is not required if the change is within 20 %.)

1. Decrease in the ratio of liabilities to assets and the ratio of long-term funds to property, plant and equipment: This is mainly due to the reduction of current assets caused by the disposition of current financial assets measured at fair value through other comprehensive gains and losses.
2. Decrease in interest coverage ratio: Mainly because of a significant decrease in profit in the current period.
3. Decrease in various financial indicators of operation performance: This is mainly due to the decrease in investment income recognized in accordance with the equity method for the current period.
4. Decrease in various financial indicators of profitability: Mainly because of a substantial decrease in profit in the current period.
5. Increase in cash flow ratio & cash flow adequacy ratio: Mainly because of increase in cash flow from operating activities.

Note 1: Restated.
Note 2: 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 (Individual report analysis calculations include investment real estate)
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 (Individual report analysis calculations include investment real estate)
   (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 2020 various statements of MERCURIES & ASSOCIATES HOLDING, LTD., which include the balance sheet of December 31, 2020, 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 2020. 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, 2020, 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 Hsu, Kun-Hsi
March 31, 2021

Mercuries & Associates Holding, LTD.

Audit Committee' Review Report

2020 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 Chang, Shu-Cheng 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

2021 Annual Shareholders' Meeting

Audit Committee Convenor: Lee, Mao
March 31, 2021

4. Consolidated financial statements for the years ended December 31, 2020 and 2019, and independent auditors' report.

   Please refer to Attachment 2.

5. Individual financial statements for the years ended December 31, 2020 and 2019, and independent auditors' report

   Please refer to Attachment 3.

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	2020	2019(Restated)	Difference	Proportion of change %	Notes
Current assets	237,423,940	187,575,955	49,847,985	26.57	1
Property, plant, and equipment Right-of-use assets	19,258,640	18,432,451	826,189	4.48	
Intangible assets	210,814	220,865	(10,051)	(4.55)	
Other assets	1,108,519,465	1,081,955,997	26,563,468	2.46	
Total assets	1,365,412,859	1,288,185,268	77,227,591	6.00	
Current liabilities	15,938,752	15,229,719	709,033	4.66	
Non-current liabilities	1,302,659,726	1,225,244,381	77,415,345	6.32	
Total liabilities	1,318,598,478	1,240,474,100	78,124,378	6.30	
Common stock	9,093,510	8,266,827	826,683	10.00	
Capital surplus	2,032,125	1,913,534	118,591	6.20	
Retained earnings	12,123,192	12,665,052	(541,860)	(4.28)	
Other equity	(3,087,013)	(1,740,041)	(1,346,972)	(77.41)	2
Treasury stock	(532,672)	(532,672)	0	-	
Non-controlling interest	27,185,239	27,138,468	46,771	0.17	
Total equity	46,814,381	47,711,168	(896,787)	(1.88)	

Analysis of changes in ratios: (analysis would not be required if the change is within 20%)
1.The increase mainly was due to increases in bank deposits and repurchase agreement.
2.The decrease mainly was due to the decrease in other comprehensive profit/loss reclassified 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	2020	2019(Restated)	Difference	Proportion of change (%)	Item analyzed
Total operating revenue	210,659,310	228,869,013	(18,209,703)	(7.96)	
Total operating cost	(207,487,324)	(222,104,432)	(14,617,108)	(6.58)	
Profit(loss) before tax from continuing operations	3,171,986	6,764,581	(3,592,595)	(53.11)	1
Income tax	(649,507)	(209,863)	439,644	209.49	2
Net Profit(loss) from continuing operations	2,522,479	6,554,718	(4,032,239)	(61.52)	1

Analysis of changes in ratios: (analysis would not be required if the change is within 20%)
1.The significant decrease in net profit before tax was due to the decrease in premium income and exchange gains/losses compared to the last period.
2.The increase in income tax expenses was due to the increase in return on investment for derivative products in the current period.

(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	83.3
API Intermediate	42.3
Others	0
Total	125.6

B. Basis:

The projected sales volumes in the foregoing table are gauged from the 2020 budget approved by the SCI Pharmtech board of directors. The projections are based, mainly, on the surviving inventory, the contracted production capacity, and the rebuild schedule for internal production lines. Significant reductions in the sales volumes compared to the previous year are expected.

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

Except the pharmaceutical segment which has been affected by the financial loss resulted from the fire in 2020, all business segments of the Company are expected to operate stably in the future. As the Company and its subsidiaries are financially sound, we do not expect any material uncertainties in finance in the future.

The pharmaceutical segment is expected to resume some of the production lines by the end of the third quarter in 2021. We plan to return to the former production level in 2023.

3. Cash flow:

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

Years / Items	December 31, 2020	December 31, 2019	Proportion of change ％
Cash flow ratio %	523.40	626.80	(16.50)
Cash flow adequacy ratio %	3,151.20	1,853.93	69.97
Cash reinvestment ratio %	6.06	7.40	(18.11)
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 2020:

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
96,408,757	83,423,569	31,617,541	148,214,785	—	—

1. Analysis of changes to cash flow for this year:
   (1) Operating activities: Due to the decrease in profit in 2020, there was a reduction in cash inflow relating to the operational activities compared to the last period.
   (2) Investing activities: Due primarily to the increase in repayments upon maturity of the amortized financial assets, there was a reduction in cash outflow relating to the investment activities compared to the last period.
   (3) Financing activities: Due primarily to the decreases in bank loans and margin deposits in the current period while there was an increase of NT$3.1 billion in the last period, the cash flow relating to the finance activities turned from inflow in the last period to outflow in the current period.
2. Remedial measures and liquidity analysis for cash inadequacy: There is no cash inadequacy currently.

(3) Cash liquidity analysis for the following year:

Unit: Thousand NT$

Cash at beginning of year①	Expected cash flows from operating activities for the entire year ②	Expected cash outflow for the entire year③	Expected sum of cash surplus (or inadequacy) ①+②-③	Remedial measures for expected cash inadequacy	
				Investment plan	Financing plan
148,214,785	55,706,984	164,914,180	39,007,589	—	—

1. Analysis of changes in cash flows for the year:
   (1) Operating activities: The net cash flow relating to the operational activities is expected to decrease in 2021 compared to that in 2020, mainly because the investment products continued to sell in 2020, which will cause a decrease in premium income from other traditional products in 2021 compared to that in 2020, and because a large number of maturity payments for endowment insurance are due in 2021, which will cause an increase in benefits due in 2021 compared to that in 2020.
   (2) Investing activities: An increase in investment in stocks and bonds is expected to meet investment needs, which will cause an increase in cash outflow in 2021 compared to that in 2020.
2. Remedial measures and liquidity analysis for expected cash inadequacy: There is no current issue of cash inadequacy.

4. Major capital expenditure items:

(1) Retail of daily commodities and food

In the current year, an estimated total of NT$552 million will be invested in renovating and expanding the central kitchen to add about 14,108 square feet of floor space mainly to use for manufacturing, processing, cryogenic freezers and materials storage at room-temperature. Activation of the new facility is expected to be in December 2022, and it will increase the number of products manufactured in-house, which will help in total quality management and shorten the lead time. There will not be other major capital expenditures except in furnishing the new retail outlets.

(2) Life insurance

There was no significant capital expenditure in 2020.

(3) Pharmaceuticals

The major capital expenditure in 2020 was in the R&D building.

A. Expected benefits:

Expected benefits: Research and development is the cornerstone of the pharmaceutical business. Every new product requires the R&D department to develop the production process before mass production on the line. When the product is commercialized, the R&D department will continue to refine the process to lower costs, reduce waste, and enhance competitiveness of the product. Although we have increased the R&D personnel and equipment in response to the growth of the business, our R&D capability has become insufficient to meet the demand, in that the physical facilities have become outdated and need upgrade and expansion to help increase the capacity in R&D.

B. Possible risks:

None.

C. Response measures:

None.

(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 recovering global economy and the continuing quantitative easing by the three major central banks will continue to contribute to the performance of risk assets. However, while the risk asset prices have been rising domestically and overseas since March 2020 and continues to reach all-time highs in review, the risk of retracement must be monitored closely as the price volatility should become more intense in the future. We will undertake a more cautious investment planning in securities-related businesses. For projects related to urban redevelopment, the focus will still be on the implementation of legally required procedures this year. The life insurance segment will maintain a sound reinvestment policy to promote efficiency in the Company's asset allocation.

(2)Main reasons for profit / loss resulting therefrom

The reasons for the decrease in profit in 2020 mainly are the decrease in premium income in the life insurance segment and the increase in exchange losses. Please see pages 160 of this report for details of the profit or loss of each investee in 2020.

(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

In the U.S., the COVID-19 pandemic is in severe condition which impacts the vitality of its labor market. The U.S. Federal Reserve will keep the interest rate at the historical low of 0 to 0.25 percent and implement quantitative easing indefinitely until the economy returns to normal. The Democratic Party took control of the Whitehouse and Congress in November 2020 and has passed an economic stimulus package with a US$1.9-trillion relief bill and commitment of over US$2 trillion to infrastructure upgrade, which will raise the U.S. bond interest rates. The Company will monitor the recovery of the labor market and the progress in vaccination and fiscal stimulus measures in the future and will closely observe the trend in interest rates and timely adjust our investment portfolio and formulate appropriate investment strategies.

a. Retail of daily commodities and food

The net interest income (expenditure) in 2020 was (NT$6,494) thousand; the proportion to the industry's income and net profit before tax was around 0.03% and 0.79%, 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 2020 amounted to NT$32,896,682 thousand, accounting for 20.92% and 1,890.28% 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$43,000 only in 2020. Changes in market interest rates did not have any impact on relevant interest expenditures.

d. Information services

The net interest income (expenditure) for 2020 was NT$(8,220) thousand, accounting for approximately 0.27% and 5.67% 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 the U.S. returned to a zero-interest-rate policy in 2020, the U.S. dollar depreciated, causing the NTD to rise by 5.61% for the year. Looking ahead to 2021, the Democrats-controlled U.S. Congress will roll out large-scale fiscal stimulus measures, under which inflation is expected to rise and further quantitative easing by the Federal

Reserve is unlikely. Therefore, although the room for decline in the CS hedging costs in the future is expected to be limited, maintenance of relatively low hedging costs this year can be expected before the interest rates start to rise. However, as to the NTD exchange rate, the new U.S. Treasury Secretary Janet Yellen has openly stated her opposition to central banks' manipulation of the exchange rates, and this could affect the latitude of the Central Bank in regulating the exchange rate in the future, but we will continue to observe the trend of the U.S. dollar closely.

a. Retail of daily commodities and food

The products were mainly for domestic sales, and the loss on exchange caused by purchase was about NT$324 thousand, accounting for around 0.001% and 0.04% 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 2020 was NT$24,057,222 thousand, which accounted for around 15.30% and 1,382.35% 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 2020, the exchange loss was NT$30.63million. 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 2020 was NT$3,427 thousand, which accounted for about 0.1% and 2.37% 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) projected an economic growth of 4.64 percent, and an increase of 1.16 percent in the consumer price index (CPI), for 2021. The rise in overall price level has been stable. We will closely monitor the price fluctuations in the raw materials market and maintain good relationships with the suppliers and will adjust our product lineup continually to improve gross profit and to reduce the pressure on the costs and the impact on the operations by inflations in the future.

b. Life insurance

The nation's consumption and production activities and the global demand for cruel oil declined due to the COVID-19 pandemic in 2020. The global oil prices fell considerably, and the domestic CPI dropped 0.23 percent in 2020 compared to that in 2019. The global economy is on gradual recovery in 2021, which, along with the rebound in domestic demands, will drive up raw material prices. DGBAS projected a

slight increase of 1.16 percent in CPI in 2021, averaging about one percent across the institutions. The overall price level stays stable. We will continue to review the trend in inflationary changes as reference for asset acquisitions to ensure the returns on investment will not be offset by inflation.

c. Pharmaceuticals

The overall price level stays stable in 2021, inflation would not result in significant impacts on the Company.

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.

D. Operational risks

The operational risks arising from the mandatory suspension of the pharmaceutical operations due to the fire incident, COVID-19, and the environmental protection factors of suppliers include:

a. Supply chain risks:

(a) Risks: ①Mandatory suspension of the PRC supplier operations for environmental protection reasons.
②Impacts of COVID-19 lockdowns on supply.

(b) Impact: Some of the raw materials supply for anti-depressants was affected in 2020.

(c) Response:
①To disperse the supply chain (new suppliers in Taiwan have been established for the affected materials).
②To overstock, as possible, raw materials with questionable supply conditions.
③To design multi-functional/multi-purpose production lines so they can be converted to other uses during the affected period.

b. EHS risks:

(a) Risks: ①Being in the chemical manufacturing industry carries high potential for fire and toxicity.
②Equipment damage or employee death or injuries due to negligent operations that might lead to suspension of operations.
③Environmental pollution due to negligent operations that might lead to suspension of operations.

(b) Impact: ①Four occupational safety incidents and zero environmental protection incidents by Dec. 19, 2020.
②Financial losses of NT$520 million and estimated legal damages of NT$510 million paid to the neighboring factories by Dec. 20, 2020.

(c) Response:①To execute standard operational procedures faithfully , ensuring adherence to ISO45000 and ISO14000.
②To conduct educational training and fire drills and include environmental pollution and work safety incidents as factors for performance awards and punishments.
③To have fire insurance, the current combined insurance amount of which is about NT$2.5 billion (including insurance for interruption of operations).
④To have Insurances for public accident liability and employer liability.
⑤To assess the causes of each fire incident and submit a debrief report.

c. Quality risks:

(a) Risks: Failing a client audit or health authority inspection or receiving warning letters, which create issues in product quality that necessitate remake or scrapping.

(b) Impact: NT$6 million lost due to scrapping in 2020.

(c) Response: ①To implement quality assurance policies and good manufacturing practice, ensuring adherence to ISO9000.

②To have introduced the SAP ERP and Master Control softwares for data integrity and plan to launch the Laboratory Information Management System (LIMS) in 2022.

③To have a product liability insurance for US$2 million.

(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 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 183 of the Attachment 2.

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

A. Retail of daily commodities and food

The daily commodities segment will step in the fields of retail food and beverages and e-commerce to promote patronage at stores and frequency of consumption by existing members and will pilot the establishment of stores with different business models in different business districts and focus the R&D projects on improving customer experience and enriching the varieties of products and services. The Group's retail food and beverages segment plans to engage in new models of operations or new types of services based on the evolving market demand and continue to refine the taste of existing products. The 2020 R&D expenditure was NT$9,375 thousand, representing approximately 1.13 percent of the net profit before tax for the segment. The projected investment in R&D in 2021 is NT$14,177 thousand.

B. Life insurance

In addition to providing customers with comprehensive life insurance products and services, the Company also strives to meet the customers' diverse needs for protection and for wealth management, following the movements in the market vigilantly. In response to market demands, we will promote the long-term protection products and lengthen as practicable the premium-paying periods specific to protection products, to lower the incentive for the customers to rescind the contracts and to increase the Company's revenue in mortality-surplus and loading-surplus. We will also promote term protection products, which helps to increase profit under IFRS17 and is consistent with the Company's product strategy to move from whole life to term life insurance. We will further reinforce investment-linked products for the market for seniors and retirees, to encourage the retired population to plan for life after retirement with investment-linked products, which also helps to increase the Company's profit under IFRS17. Lastly, we will push for product combinations of investment-linked master policies with protection product riders to offer more comprehensive protection to the customers.

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 2021 are expected to amount to NT$28,967 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
DPA	Process improvement	December 2021	Key technology	Investment of about NT$50million.
MAT9001	Process improvement	December 2021	Key technology	
DBPR-112	Process improvement	December 2021	Key technology	
Adenine	Process improvement	December 2021	Key technology	

Note: Due to the fire incident, only the aforementioned R&D projects will go forward; all production lines for the existing products will undergo replacement and modification.

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 June 10, 2020, the President ordered the promulgation of the amendment to Article 107 of the Insurance Act, which provides that If, at the time a life insurance contract is entered into, the insured is a minor under fifteen years of age, all death benefits other than funeral expense benefits shall take effect on the date the insured reaches fifteen years of age and that the insured amount for the funeral expenses may not exceed one half of the funeral expense deduction allowed for estate tax under Article 17 of the Estate and Gift Tax Act.

Impact and response measures:

To review current products and adjust policies according to the amended statute, specifically to revise the policies which provide for sales to minors under the age of fifteen and for funeral expense benefits, and to review and amend outstanding contracts, to comply with the law.

b. Changes in laws: On June 30, 2020, the Financial Supervisory Committee promulgated the fourth amendment to the "Directions Governing the Minimum Ratio of Death Benefit to Policy Value (Account Value) Regarding the Life Insurance Products," effective July 1, 2020, to implement the amended provision under Article 107 of the Insurance Act to specify that the death benefit for an insured deceased under the age of fifteen is limited to funeral expense benefit and that, because such life insurance policies shall also comply with the minimum ratio of death benefit to policy value

(account value), the ratio shall not be lower than 190 percent before the insured reaches the age of 30.

Impact and response measures:

To comply with the minimum ratio of death benefit to policy value (account value) according to the regulations for products with life insurance components sold after July 1, 2020, while discontinuing some of the products, and to review and amend outstanding policies with life insurance components to comply with the regulations.

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 August 2020 the government released a Financial Technology Development Roadmap, hoping through shaping a friendly ecosystem for the development of financial technology to facilitate the introduction of related services or business models. The Life Insurance Association of the Republic of China also has been promoting e-policy platforms in the industry and the insurance blockchain services, which not only complements the government's push for the development of financial technology, but also elevates the efficiency in serving the consumers. The Company actively has followed the government's footsteps and participated in the establishment of shared external platforms to provide services and, internally, has continued to improve operational efficiency and further the development in marketing. With the prevalent use

of mobile devices, we have revamped the website, have continued to optimize the app, and have been introducing alternative identity authentication mechanisms to hope to provide better UX to the customers. As to developing the foundation for information technology, the Company has undertaken to develop microservices technologies to respond swiftly to the implementations of external services and plans to gradually replace the core system for policy management to stay up-to-date with the latest technological developments.

The Company continues to respond and aptly adapt to the rapid changes in technology and their widespread applications to enhance our competitiveness. In addition, we also manage the various risks in business operations effectively, consistent with the legal 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 27 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

The crisis resulting from the fire accident is being managed to reduce the impact on the Company.

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:
No mergers or acquisitions took place for 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
In light of the frequent news concerning food safety in the recent years, an estimated total of NT$552 million will be invested in renovating and expanding the central kitchen to add about 14,108 square feet of floor space mainly to use for manufacturing, processing, cryogenic freezers and materials storage at room-temperature. Activation of the new facility is expected to be in December 2022, and it will increase the number of products manufactured in-house, which will help in total quality management and shorten the lead time.

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

C. Pharmaceuticals
The major capital expenditure in 2021 is in rebuilding plants and equipment destroyed by the fire, which is expected to complete by the end of 2023. Thus the production lines will be outsourced before normal operations can be resumed in-house.

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 26.59% of total purchases, while the largest customer accounted for 11.03% 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 2020.

(11) Impacts, risks, and response measures pertaining to changes in ownership: There was no change in ownership in 2020.

(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 124 of the Attachment 2.

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:

A. 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 2020 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.

B. The impact of the COVID-19 pandemic on the pharmaceutical segment and our response:

   a. Impact of the pandemic: The COVID-19 pandemic has severely impacted the world and has shaken up the raw materials supply chain slightly as the nations elected to close the borders in response to the rapid spread of the disease.

   b. Response:

      (a) To seek out and increase the number of major raw materials suppliers globally and speed up the process of decentralization and transfer of supply chains.

      (b) To continue monitoring the macro-level environment and make systems and operations adjustments accordingly.

      (c) To maintain sufficient working capital to work with the changes.

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, 2020)

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.	0.40%		
	Simple Mart Retail Co., Ltd.	68.88%	Simple Mart Plus Co., Ltd.	100%		
			Sanyou Drugstores Ltd.	45%		
	Mercuries Harvest Co., Ltd.	100%	Mercuries Leisure Co., Ltd.	0.97%		
	Mercuries F&B Co., Ltd.	93.63%	Mercuries Leisure Co., Ltd.	9.49%		
			Mercuries FoodService Co.,Ltd	45.74%		
			Mercuries Life Insurance Co., Ltd.	0.57%		
			Mercuries F&B Consulting Co., Ltd.	97%		
			Mercuries Food Services Japan Ltd.	100%		
	Mercuries Life Insurance Co., Ltd.	40.34%				
	Mercury Fu Bao Co., Ltd.	100%	Mercuries Life Insurance Co., Ltd.	2.55%		
			Mercuries Leisure Co., Ltd.	5.23%		
			SCI Pharmtech Inc. (continued at Part 2)	2.43%		
			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.	0.46%		
	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 FoodService Co., Ltd	25.31%				
	Sanyou Drugstores Ltd.	55%				

Organization structure of affiliated companies - continued (December 31, 2020)

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 PharmtechInc. (continued at Part 2)	Yushan Pharmaceuticals, Inc.	100%				

2.Basic information on affiliated companies

Unit: Thousand NTD ; December 31, 2020

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	5F, No. 145, Section 2, Jianguo North Road, Taipei City	512,028	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, Zongshan District, Taipei City	25,019,715	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	JPY50 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	105,000	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.
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.
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 111Connaught Road Central Hong Kong	USD18.1 million	Investment holding.

Company Name	Date of Incorporation (Year)	Address	Paid-in Capital	Primary Business or Products
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.
Sanyou Drugstores Ltd.	August 22, 2002	B1, No. 4, Section 3, Minquan East Road, Zhongshan District, Taipei City	1,000,000	Cosmetics and beauty products (excluding those with pharmaceutical effects) & daily necessities.

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.
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.
Sanyou Drugstores Ltd.	Cosmetics and beauty products (excluding those with pharmaceutical effects) & daily necessities.

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

Unit: Thousand shares; % March 31, 2021

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%
	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	68.88%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Li, Chiu Kuang-Lung and Wong, Wei-Chyun		
	Director	Representative(s) of institutional shareholders of Sumitomo Corporation: Shinji Sumiya and Yuma Miyata	13,200	22.11%
	Independent director	Lin, Tsay-Lin, Tsai, Meng-Lin and Huang ,Ming-Jye	0	--
Mercuries Harvest Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	9,000	100%
Mercuries F&B Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	47,940	93.63%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Li and Wong, Wei-Chyun		
	Supervisor	Wang, Chih-Hua		
Mercuries Life Insurance Co., Ltd.	Chairman	Chen, Shiang-Chieh, Vice-Chairman：Wong, Tsui-Chun	1,009,228	40.34%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Li, Wang, Chih-Hua, Chin-Tsai Chen , Hsu, Ching-Hsin and Cheng ,Chun-Nong		
	Independent director	Henry Yang	0	--
	Independent director	Kuo, Wei-Yu	0	--
	Independent director	Justin Tsai	0	--
	General Manager	Chunkwan Alfred Cheung	1,465	0.06%
Mercury Fu Bao Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wang, Hsien-Chang	236,260	100%
	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	10,500	100%
	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
SCI Pharmtech Inc.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Wong, Wei-Chyun	25,236	31.75%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Li, Chen, Yen-Ju and Chou, Wen-Chih		
	Independent director	Tu, Te-cheng	0	--
	Independent director	Wu, Hung-Chih	0	--
	Independent director	Chen, Chia-Chun	0	--
	General Manager	Wong, Wei-Chyun	437	0.55%
Mercuries Furniture Co., Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	13,000	100%
M. T. I. CIGARS CO., LTD.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Feng	3,209	100%
Mercuries Insurance Agency	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Shiang-Chung	500	100%
	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	--	--
Simple Mart Plus Co., Ltd.	Chairman	Representative(s) of institutional shareholders of Simple Mart Retail Co., Ltd.: Chen, Shiang-Feng	6,000	100%
	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.: Chen, Jui-Hsing		
Mercuries Data Systems International Ltd.	Director	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd.: Ken S.C. Chen	--	100%
Mercuries Information Systems International Co., Ltd.	Chairman	Representative(s) of institutional shareholders of Mercuries Data Systems Ltd. (MDS): Chung, Cheng-Ping	300	100%
	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		
Shang Rih Co., Ltd.	Director	Representative(s) of institutional shareholders of Mercuries Liquor & Food Co., Ltd.: Chen, Kuang-Hung	--	100%

Company name	Title	Name or representative	Shares held	
			Number of shares	Shareholding percentage
Yushan Pharmaceuticals, Inc.	Chairman	Representative(s) of institutional shareholders of Yushan Holding Universal Ltd.: Wong, Wei-Chyun	35,190	100%
	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%
	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 (Hong Kong): Chen, Shiang-Chung	--	100%
	Director	Representative(s) of institutional shareholders of Core Info Tech Limited (Hong Kong): Chen, Wen-Chu, Chung, Cheng-Ping, Hsieh, Hung-Hsiang and Tsai, Chung-Wei		
	Supervisor	Representative(s) of institutional shareholders of Core Info Tech Limited (Hong Kong): 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	--
Sanyou Drugstores Ltd.	Chairman	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chiu Kuang-Lung	55,000	55%
	Director	Representative(s) of institutional shareholders of MERCURIES & ASSOCIATES HOLDING, LTD.: Chen, Jui-Hsing		
	Director	Representative(s) of institutional shareholders of Simple Mart Retail Co., Ltd.: Yuma Miyata	45,000	45%
	Supervisor	Liu ,Yen-Hsiu	0	--

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	2,822,092	2,046,075	776,017	3,768,135	187,428	155,867	3.90
Simple Mart Retail Co., Ltd.	600,000	5,094,051	3,773,645	1,320,406	13,198,913	255,849	181,966	3.04
Mercuries Harvest Co., Ltd.	90,000	159,681	105	159,576	0	(113)	5,244	0.58
Mercuries F&B Co., Ltd.	512,028	2,942,152	1,827,992	1,114,160	4,696,882	405,883	331,291	6.47
Mercuries Life Insurance Co., Ltd.	25,019,715	1,338,837,240	1,296,725,451	42,111,789	157,231,964	1,562,375	1,444,538	0.61
Mercury Fu Bao Co., Ltd.	2,362,600	3,512,386	92,783	3,419,603	153,219	(35,916)	144,948	0.61
Mercuries Food Service Japan Ltd.	JPY50,000	34,920	7,913	27,007	9,958	(15,490)	(13,463)	-
Mercuries Data Systems Ltd.	1,843,145	4,380,200	2,160,013	2,220,187	2,986,117	130,831	115,553	0.63
Mercuries General Media, Inc.	48,300	122,762	9,073	113,689	31,387	9,268	10,212	2.11
Mercuries Leisure Co., Ltd	711,000	975,768	273,252	702,516	0	(2,315)	20,862	0.29
Hipact Tech Inc.	2,000	10,791	927	9,864	1,555	461	492	2.46
Mercuries Liquor & Food Co., Ltd.	105,000	349,193	239,520	109,673	525,830	(38,662)	(30,604)	(2.91)
Mercuries Furniture Co., Ltd.	130,000	547,077	436,905	110,172	637,283	(8,299)	(5,578)	(0.43)
SCI Pharmtech Inc.	794,853	4,569,838	1,247,616	3,322,222	2,689,222	1,052,240	360,124	4.53
M. T. I. CIGARS CO., LTD.	32,092	33,152	5,763	27,388	0	(349)	(662)	(0.21)
Mercuries Insurance Agency	5,000	29,394	3,074	26,320	174,251	15,852	12,242	24.48
Tastynoodle Co., Ltd	USD 5,000	763	0	763	0	0	0	-
Family Shoemart Co., Ltd	USD 7,500	11,463	0	11,463	0	0	(4,524)	-
Mercuries FoodService Co.,Ltd	USD 19,678	24,890	0	24,890	0	0	(1,770)	-
Simple Mart Plus Co., Ltd.	60,000	51,916	7,408	44,508	32,752	(4,386)	(4,232)	(0.71)
Mercuries Data Systems International Ltd.	540,299	234,628	1,841	232,787	0	0	(15,113)	-

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 Information Systems International Co., Ltd.	3,000	1,465	40	1,425	0	(221)	(220)	(0.73)
Shang Rih Co., Ltd.	6,000	6,103	0	6,103	0	(37)	1,334	2.22
Yushan Pharmaceuticals, Inc.	351,900	349,286	100	349,186	0	(662)	(537)	(0.02)
Core Info Tech Limited (Hong Kong)	543,000	233,608	0	233,608	0	0	(15,115)	-
Mercuries Soft (Nanjing) Ltd.	678,126	243,050	13,074	229,976	34,287	(17,976)	(15,119)	-
Mercuries Liquor & Food Japan Co., Ltd.	JPY7,500	46,313	40,858	5,455	105,319	1,839	1,371	-
Mercuries F&B Consulting Co., Ltd.	20,000	16,612	4,891	11,721	3,811	(6,334)	(6,316)	(3.16)
Sanyou Drugstores Ltd.	1,000,000	567,500	421,878	145,622	1,000,338	(127,406)	(255,610)	(2.56)

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 184 of the Attachment 2.

(2) Capital loans of the affiliated enterprises: Refer to page 183 of the Attachment 2.

(3) Derivatives trading of the affiliated enterprises: Refer to page 73 of the Attachment 3.

(2) Consolidated financial statements of affiliated enterprises

Statement

We hereby state that for 2019 (from January 1, 2020 to December 31, 2020), 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 31, 2021

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, 2021

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 2020 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%	2020	—	—	—	2,914 $60,312	None	None	None
				Up to the publication date of this report in 2021	—	—	—	2,914 $61,477	None	None	None
Mercuries Harvest Co., Ltd.	90,000	Disposal funds	100%	2020	—	—	—	5,629 $116,517	None	None	None
				Up to the publication date of this report in 2021	—	—	—	5,629 $118,769	None	None	None
Mercury Fu Bao Co., Ltd.	2,362,600	Disposal funds	100%	2020	—	—	—	43,985 $910,489	None	None	None
				Up to the publication date of this report in 2021	—	—	—	43,985 $928,083	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	V		V	V	V	V	V	V	
Mao,Ming-Yu	Male	V		V	V	V	V	V	V	
Cheng,I-Teng	Male	V	V	V	V	V	V	V	V	
Chen,Hsiang-chung	Male	V		V	V	V	V	V	V	
Wong,Wei-chun	Male	V		V	V	V	V	V	V	
Tu,Te-cheng	Male	V	V	V	V	V	V	V	V	
Lee,Mao	Male	V	V	V	V	V	V	V	V	
Jeffrey Chen	Male	V	V	V	V	V	V	V	V	

Note: Each Director has the following industrial knowledge:

Chen, Shiang-Li: Invested businesses and retail of daily commodities and food.
Mao, Ming-Yu: 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 2020 and up to the printing date of this annual report.

【Attachment 1】

MERCURIES & ASSOCIATES HOLDING, LTD.
Procedures on the First Issuance and Conversion of Domestic Unsecured Convertible Corporate Bond

I. Bond name:

Mercuries & Associates Holding, Ltd., (hereinafter "the Company") First Issuance of Domestic Unsecured Convertible Corporate Bond (hereinafter "the Bond").

II. Issue date:

Jan. 25, 2021 (hereinafter "the Issue Date").

III. Issue amount:

Twenty-three thousand notes of the Bond are issued at par value of NT$100,000 per note, NT$2.3 billion in aggregate, priced at 100.5% of par value at issuance, with total issuance number at 23,000 notes.

IV. Issuance period:

Five years, from Jan. 25, 2021, to Jan. 25, 2026.

V. Coupon rate:

0% APR.

VI. Repayment:

Except those notes which the bondholders convert into ordinary shares of the Company pursuant to Article X of these Procedures or exercise the right to reverse repurchase pursuant to Article XIX thereof, or the notes which the Company redeems in advance pursuant to Article XVIII of these Procedures or otherwise buys back at securities firms, the Company shall repay the Bond upon maturity to the bondholders in cash, commensurate with the face values of the notes they hold.

VII. Guarantee:

The Bond is unsecured. After its issuance, however, if the Company issues, or privately places, other convertible corporate bonds or corporate bonds with warrants that are secured, the Bond shall be deemed to have the same claims and collateral rights as those pertaining to said secured bonds.

VIII. Conversion option:

Ordinary shares of the Company. The Company shall fulfill its conversion obligations by issuing new shares. New shares issued by conversion shall be delivered via book-entry transfer and not in printed form.

IX. Conversion period:

From Apr. 26, 2021, three months and one day after the Issue Date, to the Bond maturity date of Jan. 25, 2026, except during the periods from within 15 business days before transfer of stock or cash dividends or stock subscription for cash capital increase is terminated to the base date for settlement of equity distribution, or from the base date for capital reduction in exchange for shares to the day before trading resumes upon exchange for new shares, or from the date on which conversion for change of stock denomination is terminated to the date before trading of the newly denominated stock begins, or during any other periods in which trading of

the Company's stock is suspended by law, the Bondholders may request the Company at any time for conversion into the Company's ordinary shares pursuant to these Procedures; the Company shall proceed with the requests in accordance with Articles X, XI, XIII, and XV of these Procedures.

"The date on which conversion for change of stock denomination is terminated" as set forth in the foregoing paragraph refers to the business day before the date on which application to the Ministry of Economic Affairs for registration of the change is made. Four business days before it takes effect, the Company shall publicly announce any period in which conversion is suspended.

X. Conversion request procedure:

(I) A holder of the Bond may go to the broker of original purchase to fill out an "Application for Conversion by Book-entry Transfer/Redemption/Reverse Repurchase of Convertible Corporate Bond" (selecting conversion). The broker will transmit the application to the Taiwan Depository & Clearing Corporation (hereinafter TDCC), who upon receipt of the Application will electronically notify the Company's agent for stock affairs. The conversion requested will be deemed in effect when the notification is received and may not be revoked subsequently. Conversion shall be completed within five business days of receipt of the notification, and the corresponding ordinary shares of the Company shall be transferred directly into the former bondholder's TDCC account.

(II) Applications by overseas ethnic Chinese and foreign nationals for conversion of the Bond into the Company's ordinary shares shall likewise be handled through book-entry operations by TDCC.

XI. Conversion price and adjustment:

(I) The base date used for the conversion price of the Bond is Jan. 15, 2021. The base price is selected from the simple arithmetic means of the closing prices for the Company's ordinary share at one business day, three business days, and five business days, respectively, before the base date. The Bond's conversion price is calculated by multiplying the base price by a 107.14% conversion premium rate (rounded to two decimal places). If there are ex-rights or ex-dividend before the base date, the respective equity or dividends shall be deducted from the closing prices so sampled to calculate the conversion price. If there are ex-rights or ex-dividend after the conversion price has been set and before the Issue Date, the conversion price shall be adjusted according to the conversion price adjustment formula set forth in Paragraphs (II) and (III) of this Article. Thus, based on the simple arithmetic means of the closing price for the Company's ordinary share at one business day before the base date, i.e., NT$21.00 per share, the conversion price is set at NT$22.50 per share.

(II) Upon issuance of the Bond, except where convertible or warranted securities issued (or privately placed) by the Company are exchanged for ordinary shares, or where new shares are issued through capitalization of employee bonus, whenever there is an increase in the ordinary shares issued (and privately placed) by the Company (including, but not limited to, cash capital increase through public offering or private placement, capitalization of retained earnings, capitalization of capital surplus, issuance of new shares in connection with mergers or acquisitions or with acquisitions of other companies' shares, stock split, and cash capital increase for the issuance of overseas depository receipts), the Company shall adjust the conversion price for the Bond according to the following formula (only downward adjustment will be conducted; adjusted price rounded to two decimal places) and request the stock exchange in writing to make a public announcement of the adjustment. The adjustment shall be made on the base date for ex-rights for issuance of new shares (Note 1), or on the base date for exchange for the newly denominated shares in the case of an increase in outstanding ordinary shares due to change of stock denomination.(The

adjustment shall be made on the date on which payment of shares is complete in the case of actual payment operation.)

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of outstanding shares (Note 2)} + (\text{Contributions per share (Note 3)} \times \text{Number of newly issued or privately offered shares}) \div \text{Market price per share (Note 4)}}{\text{Number of outstanding shares + number of newly issued or privately offered shares}}$$

Note 1: The adjustment shall be made on the date on which payment of shares is complete in the case of new shares issued for cash capital increase or cash capital increase for the issuance of overseas depository receipts; it shall be made on the base date for stock split in the case of stock split; it shall be made on the base date for the merger or acquisition in the case of merger or acquisition or acquisition of another company's shares for capital increase; and it shall be made on the date on which privately placed securities are delivered in the case of cash capital increase through private placement or increase of shares in the form of privately placed securities. If, after the base date for ex-rights for issuance of new shares for cash capital increase, the issue price for the new shares is changed, the conversion price shall be re-adjusted according to the aforementioned formula based on the issue price and the market price for the new shares (the base date for determining the new market price per share is the base date set by the Board for the determination of the issue price for the new shares) . If the re-adjusted conversion price is lower than the conversion price that was adjusted and publicly announced prior to the base date for ex-rights, a request in writing shall be made to the stock exchange to make a public announcement again of the re-adjustment.

Note 2: The number of outstanding shares refers to the total number of ordinary shares issued to date (through public offering or private placement) minus the number of the treasury shares bought back by the Company that have not been cancelled or transferred.

Note 3: In the case of stock bonus or stock split, the contributions per share shall be zero. In the case of issuance of new shares for capital increase on merger, the contributions per share shall be computed by multiplying the net value per share of the dissolved company, calculated based on its most recent financial statements reviewed or audited by a CPA before the base date for the merger, by the share conversion ratio. In the case of issuance of new shares for acquisition of another company's shares, the contributions per share shall be computed by the net value per share of the company whose shares are being acquired, calculated based on its most recent financial statements reviewed or audited by a CPA, by the share conversion ratio.

Note 4: The market price per share shall be selected from the simple arithmetic means of the closing prices for the Company's ordinary share at one business day, three business days, and five business days, respectively, before the base date for ex-rights, the base date for price determination, the base date for stock merger or stock split, or the delivery date of the privately placed securities.

In case of change of stock denomination:

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \text{Number of outstanding ordinary shares before change of stock denomination}}{\text{Number of outstanding ordinary shares after change of stock denomination}}$$

(III) Upon issuance of the Bond, whenever the Company distributes ordinary share cash dividends, it shall adjust to lower the conversion price on the base date for ex-dividend based on the dividend-to-market-price-per-share ratio and shall request the stock exchange in writing to make a public announcement of the conversion price after adjustment. The aforementioned provision for adjustment to the conversion price does not apply to the requests for conversion that are made before the base date (exclusive) for ex-dividend. The adjustment formula is as follows:

Conversion price after adjustment = conversion price before adjustment × (1 - ratio of the ordinary share cash dividend to the market price per share (Note))

Note: The market price per share shall be selected from the simple arithmetic means of the closing prices for the Company's ordinary share at one business day, three business days, and five business days, respectively, before the date on which public announcement of ex-dividends is made for termination of the transfer of cash dividends.

(IV) Upon issuance of the Bond, whenever the Company issues (or privately places) other securities with ordinary share conversion or subscription right at a conversion or subscription price lower than the market price per share (Note 1), it shall adjust the conversion price for the Bond according to the following formula (only downward adjustment will be conducted; adjusted price rounded to two decimal places) and request the stock exchange in writing to make a public announcement of the adjustment. The adjustment shall be made on the issue date of said securities or stock option or the date of delivery of said privately placed securities.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of outstanding shares (Note 2)} + \left(\text{Conversion or subscription price for the newly issued (or privately placed) securities or stock option} \times \text{Number of the shares to which the newly issued (or privately placed) securities or stock option can be converted or subscribed}\right) \div \text{Market price per share}}{\text{Number of outstanding shares} + \text{Number of the shares to which the newly issued (or privately placed) securities or stock option can be converted or subscribed}}$$

Note 1: The market price per share is selected from the simple arrhythmic means of the closing prices for the Company's ordinary share at one business day, three business days, or five business days, respectively, before the base date for price determination for the subsequently issued (or privately placed) securities with ordinary share conversion or subscription right.

Note 2: The number of outstanding shares refers to the total number of ordinary shares issued to date through public offering or private placement minus the number of the treasury shares bought back by the Company that have not been cancelled or

transferred. If the newly issued (or privately placed) securities with ordinary share conversion or subscription right are funded by treasury shares, the number of shares to which the newly issued (or privately placed) securities can be converted or subscribed shall be deducted from the number of outstanding shares in the formula.

(V) Upon issuance of the Bond, whenever there is a reduction in the number of the Company's ordinary shares not caused by capital decrease from cancellation of its treasury shares, the Company shall adjust the conversion price for the Bond, calculated according to the following formula (adjusted price rounded to two decimal places), and request the stock exchange in writing to make a public announcement of the adjustment. The adjustment shall be made on the base date for capital reduction, or where the reduction in the ordinary shares is due to change of stock denomination, on the base date for exchange for the newly denominated shares.

<u>In case of capital reduction to offset loss:</u>

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \text{Number of outstanding ordinary shares before capital reduction (Note)}}{\text{Number of outstanding ordinary shares after capital reduction}}$$

<u>In case of cash capital reduction:</u>

$$\text{Conversion price fter adjustment} = (\text{Conversion price before adjustment} - \text{amount of cash refunded per share}) \times \frac{\text{Number of outstanding ordinary shares before capital reduction (Note)}}{\text{Number of outstanding ordinary shares after capital reduction}}$$

<u>In case of change of stock denomination:</u>

$$\text{Conversion price after adjustment} = \frac{\text{Conversion price before adjustment} \times \text{Number of outstanding ordinary shares before change of stock denomination}}{\text{Number of outstanding ordinary shares after change of stock denomination}}$$

Note: The number of outstanding shares refers to the total number of ordinary shares issued to date (through public offering or private placement) minus the number of the treasury shares bought back by the Company that have not been cancelled or transferred.

XII. Listing and de-listing of the Bond:

The Bond shall be applied to the stock exchange for listing on the Issue Date and shall be de-listed when it is converted into ordinary shares or bought back or redeemed by the Company in its entirety. The Company shall publicly announce listing and de-listing upon approval by the stock exchange.

XIII. Listing of new shares upon conversion:

Upon the date of delivery, the ordinary shares issued for conversion of the Bond shall be listed on the Taiwan Stock Exchange for trading. The Company shall publicly announce the matter upon approval by the Taiwan Stock Exchange .

XIV. Within 15 days after the end of each quarter, the Company shall publicly announce the number of shares issued in the last quarter from conversion of the Bond. It shall also apply for change of capital registration to the authority in charge of business registration at least once in a quarter.

XV. Conversion shall be into full shares. The Company shall pay in cash (rounded to the nearest integer) for any unconverted value that cannot be converted into a full share.

XVI. Right to annual cash or stock dividend:

(I) Cash dividend

1. If a request for conversion is made between the beginning of a given year and 15 business days (exclusive) before the date on which transfer of the Company's cash dividends is terminated in that year, the holder of the Bond may participate in the resolution at the annual shareholders' meeting of that year for the distribution of cash dividends for the previous year.
2. Conversion of the Bond shall be suspended between the start of 15 business days (inclusive) before the date on which transfer of the Company's cash dividends is terminated and the base date for ex-dividend in the same year.
3. If a request for conversion is made between the day after the base date for ex-dividend and December 31 (inclusive) of the same year, the holder of the Bond may not participate in the resolution at the annual shareholders' meeting of that year for the distribution of cash dividends for the previous year, but may participate in the resolution at the annual shareholders' meeting of the next year for the distribution of cash dividends for the current year.

(II) Stock dividend

1. If a request for conversion is made between the beginning of a given year and 15 business days (exclusive) before the date on which transfer of the Company's stock dividends is terminated in that year, the holder of the Bond may participate in the resolution at the annual shareholders' meeting of that year for the distribution of stock dividends for the previous year.
2. Conversion of the Bond shall be suspended between the start of 15 business days (inclusive) before the date on which transfer of the Company's stock dividends is terminated and the base date for ex-rights in the same year.
3. If a request for conversion is made between the day after the base date for ex-rights and December 31 (inclusive) of the same year, the holder of the Bond may not participate in the resolution at the annual shareholders' meeting of that year for the distribution of stock dividends for the previous year, but may participate in the resolution at the annual shareholders' meeting of the next year for the distribution of stock dividends for the current year.

XVII. Rights and obligations after conversion:

The rights and obligations pertaining to the new shares issued upon conversion are identical to those pertaining to the Company's ordinary shares.

XVIII. The Company's right to redeem the Bond

(I) During the period from Apr. 26, 2021, (three months and one day after the Issue Date) to Dec. 16, 2025, (40 days before the maturity date) if the closing price for the Company's ordinary share has exceeded 130% (inclusive) of the concurrent conversion price for 30 business days, the Company may, within 30 business days thereafter, serve via registered mail a Notice of Redemption of Bond with 30-day notice (the 30-day period shall be effective on the date the notice is mailed, and the last day of 30-day period shall be the base date for redemption; however, the aforementioned period shall not be within any of the periods in which conversion is suspended pursuant to Article IX of these Procedures) to the holders of the Bond (the Notice shall be mailed to the persons listed on the register of bondholders as of the fifth business day before mailing; the Notice shall be served via

public announcement as to the investors who subsequently acquire the Bond via trading or other means). The Company shall pay in cash to redeem, at its par value, the Bond in its entirety and request in writing the stock exchange to make public announcement of the redemption. The Company shall exercise its right to redeem within five business days after the base date for redemption and pay in cash to redeem, at its par value, all of the outstanding notes of the Bond.

(II) During the period from Apr. 26, 2021, (three months and one day after the Issue Date) to Dec. 16, 2025, (40 days before the maturity date) if the outstanding amount of the Bond is less than 10% of the Issue Amount, the Company may, thereafter at any time, serve via registered mail a Notice of Redemption of Bond with 30-day notice (the 30-day period shall be effective on the date the notice is mailed, and the last day of 30-day period shall be the base date for redemption; however, the aforementioned period shall not be within any of the periods in which conversion is suspended pursuant to Article IX of these Procedures) to the holders of the Bond (the Notice shall be mailed to the persons listed on the register of bondholders as of the fifth business day before mailing; the Notice shall be served via public announcement as to the investors who subsequently acquire the Bond via trading or other means). The Company shall pay in cash to redeem, at its par value, the Bond in its entirety and request in writing the stock exchange to make public announcement of the redemption. The Company shall exercise its right to redeem within five business days after the base date for redemption and pay in cash to redeem, at its par value, all of the outstanding notes of the Bond.

(III) If a holder of the Bond fails to respond in writing to the Company's agent for stock affairs before the base date for redemption as specified in the Notice of Redemption of Bond (the response shall be effective upon receipt, or if mailed, on the date it is postmarked), the Company shall, within five business days after the base date for redemption, pay in cash to redeem, at its par value, all of the notes of the Bond held by the bondholder.

XIX. Bondholders' right to reverse repurchase:

The base date for the holders of the Bond to reverse repurchase the Bond is Jan. 25, 2024, the third anniversary of the Issue Date. Forty days before the base date for reverse repurchase, the Company shall serve via register mail a Notice of Right to Put Bond to the bondholders (the Notice shall be mailed to the persons listed on the register of bondholders as of the fifth business day before mailing; the Notice shall be served via public announcement as to the investors who subsequently acquire the Bond via trading or other means) and request in writing the stock exchange to make public announcement of the bondholders' right to reverse repurchase. The bondholders opting to reverse repurchase shall notify the Company's agent for stock affairs in writing within 40 days to the base date for reverse repurchase (the notice shall be effective upon receipt, or if mailed, on the date it is postmarked) to request the Company to redeem, in cash, the notes of the Bond in the bondholders' possession at the par value thereof plus interest payment (i.e., 100.75% of the face value after three years, calculated at 0.25% yield). Upon receipt of the request to reverse repurchase, the Company shall redeem the Bond in cash within five business days after the base date for reverse repurchase. If the last day of the aforementioned period is not a business day for the stock exchange, it shall be extended to the next business day.

XX. All of the notes of the Bond recovered (including those bought back at the securities firms), redeemed, or converted by the Company shall be cancelled along with the conversion right attached thereto and shall not be sold or reissued.

XXI. The Bond and the ordinary shares converted therefrom are both registered. Their transfer, change registration, pledge, and loss, etc., shall be handled according to the " Regulations Governing the Administration of Shareholder Services of Public Companies " and the relevant provisions of the Company Act. Anything related to them in terms of tax shall be handled according to the contemporary tax laws.

XXII. The Department of Trusts of the Hua Nan Commercial Bank, Ltd., is the Trustee for holders of the Bond. It shall represent the interest of the bondholders and exercise the power to audit and supervise matters related to the Company's issuance of the Bond. Any holders of the Bond, whether through subscription at issuance or subsequent purchase, agree to the provisions of the trust indenture entered into between the Company and the Trustee and the rights and obligations of the Trustee specified therein, and to the provisions of the Procedures on the First Issuance and Conversion of Domestic Unsecured Convertible Corporate Bond, and to grant power of attorney to the Trustee in matters related to the trust. Said power of attorney may not be rescinded once in effect. The bondholders may review the contents of the trust indenture any time during business hours at the Company or at the business place of the Trustee.

XXIII. The payment of the principal and interest and matters related to conversion of the Bond shall be delegated to the Company's agent for stock affairs.

XXIV. The Bond is issued not in printed form according to the provisions of Article 8 of the Securities and Exchange Act.

XXV. Any matters relating to the Bond's issuance and conversion not specified in these Procedures shall be governed by the pertinent laws and regulations.

【Attachment 2】

MERCURIES & ASSOCIATES HOLDING, LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEX TO FINANCIAL STATEMENTS

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements of Mercuries & Associates Holding, LTD. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Mercuries & Associates Holding, LTD. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Mercuries & Associates Holding, LTD.

Chen, Shiang-Li

Chairman

March 31, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mercuries & Associates Holding, Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mercuries & Associates Holding, Ltd. and its subsidiaries as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors as described in the Other Matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mercuries & Associates Holding, Ltd. and its subsidiaries as of December 31, 2020 and 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Mercuries & Associates Holding, Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

The completeness and accuracy of recording insurance reserves

Description:

Please refer to Note 4.26 for the related accounting policy of the completeness and accuracy of recording insurance reserves, Note 5 about accounting judgments, key sources of estimates and uncertainty for insurance reserves, Note 6.23 and Note 12.7 for insurance reserves details, change and adjustment, and disclosure of insurance contract

Various insurance reserves of Mercuries Life Insurance are provided by actuary in accordance with the "Guidelines for Insurance Enterprises Handling All Statutory Reserves" based on their professional judgment and experience. The insurance reserves are estimated for different types of insurance, and thus, the provision process of these reserves has a high degree of complexity. Liability reserves involve significant judgment from management due to uncertainty of estimation. In addition, to ensure the adequacy of the insurance liabilities recognition, significant judgment to the final total settlement value of each insurance claims is required. The Company should assess its adequacy of liabilities through estimated future cash flow for insurance contracts based on current information. If there is any shortfall in the current carrying amount of the insurance liability, the shortfall should be recognized as liability adequacy reserve. Therefore, this matter needs significant attention in our audit.

We performed the following audit procedures on the above key audit matter:

1. Testing the effectiveness of the design and implementation of internal controls within the financial reporting process that are related to insurance reserves, which include testing the controls responsible for ascertaining the completeness and accuracy of the policy information.
2. Performing the analysis on movements and recognition of insurance reserves and checking whether the related information and carrying amount of the worksheet are accurate.
3. Testing samples on unearned premium reserves, liability reserves, claim reserves, premium deficiency reserves, special reserves and liabilities adequacy reserve to assess the accuracy of the premium and claim information, as well as inspecting the provision methodology, and examining whether the provision and hypothesis are in accordance with the "Guidelines for Insurance Enterprises Handling All Statutory Reserves".
4. Assess the appropriateness of the disclosure that are related to insurance reserves.

Valuation of investment assets

Description:

Please refer to Note 4.11 for the related accounting policy of valuation of investment, Note 5 about accounting judgments, key sources of estimates and uncertainty for investment assets valuation, Note 12.2 to 12.4 for valuation details and risk management of financial assets.

The subsidiary Mercuries Life Insurance's fair value measurement under fair value through profit or loss financial assets and fair value through other comprehensive income financial assets for debt instrument without an active market is determined by observable input parameters obtained either directly or indirectly in inactive markets. The fair value is estimated on the basis of the results of various valuation techniques, which is based on professional judgment by the Company's management. In addition, debt instruments that measured at amortized cost and fair value through other comprehensive income has excepted credit loss, recognition and estimation of such loss require significant judgment by the Company's management. Therefore, this matter needs significant attention in our audit.

We performed the following audit procedures on the above key audit matter:

1. Performing an assessment over the investment cycle of its initial recognition, subsequent measurements and their disclosures on financial statements.
2. Inspecting the accounting policies related to fair value measurements and disclosures of financial instruments of the Company.
3. Obtaining statements for financial assets and understanding the acquisition methods used for fair value of each category, as well as evaluating whether the fair value hierarchy is appropriate.
4. Assessing the reasonableness of significant assumptions, fair value and the valuation sources according to the relevant information obtained from external sources.
5. Executing impairment test, which included evaluating whether the design of the process for providing expected credit losses are appropriate and the significant hypothesis and factors of the estimations are reasonable, selecting the result to check the reasonableness of the credit risk has increased significantly since the original recognition of financial assets and test the accuracy of the calculation.

The completeness and accuracy of retail sales revenue

Description:

Please refer to Note 4.31 for the related accounting policy of retail sales revenue, Note 5 about accounting judgments, key sources of estimates and uncertainty for revenue recognition.

Retail sales revenue of Mercuries & Associates Ltd. and Simple Mart Retail Co., Ltd are recorded by point-of-sale (POS) terminals, which collect the merchandise information of item names, quantity, sales price and total sales amount of each transaction using pre-established merchandise master file data (which contains information such as item name, cost of purchase, retail price, combination sales promotions, etc.). After the daily closing process, each store manager uploads their sales information to the Enterprise Resource Planning ("ERP") system, which summarizes all sales and automatically generates sales revenue journal entries. Each store manager also prepares a daily cash report, which summarizes amounts of sales, types of collections and cash deposited to the bank.

As retail sales revenue comprises numerous small amount transactions and highly relies on the POS and ERP systems, the process of summarizing and recording sales revenue by these systems is important with regard to the completeness and accuracy of the retail sales revenue. Therefore, this matter needs significant attention in our audit.

We performed the following audit procedures on the above key audit matter:

1. Inspecting and checking whether additions and changes to the merchandise master file data had been properly approved and supported by the relevant documents.
2. Inspecting and checking whether approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file.
3. Inspecting and checking whether merchandise master file data had been periodically transferred to POS terminal in stores.
4. Inspecting and checking whether sales information in POS terminals had been periodically and completely transferred to the ERP system and verify the daily cash reports and accounting information in stores.
5. Inspecting daily cash reports and relevant documents.
6. Inspecting cash deposit amounts recorded in daily cash reports and agreed them to bank remittance amounts.

Other matter

As described in Note 4.4, we did not audit the financial statements of certain consolidated subsidiaries which were audited by other auditors. Thus, the amounts and information of the subsidiaries shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. Total assets of the subsidiaries were $13,173,861 thousand and $12,390,082 thousand, constituting 0.96% and 0.96% of the total consolidated assets as of December 31, 2020 and 2019 respectively, and total comprehensive income were $949,138 thousand and $1,015,372 thousand, constituting 220.37% and 6.61% of total consolidated comprehensive income for the years ended December 31, 2020 and 2019 respectively. As described in Note 6.11, the financial statements of certain investee companies under investments accounted for under equity method in the above mentioned financial statements were audited by other auditors. Thus, the amounts and information of the investee companies shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. The amount of investments in the aforementioned investee companies were $3,796,755 thousand and $3,858,498 thousand, constituted 0.28% and 0.30% of the total consolidated assets as of December 31, 2020 and 2019 respectively, and the recognized shares of profit of associates and joint ventures accounted for under equity method of these investee companies were $307,523 thousand and $264,050 thousand, constituted 9.69% and 3.90% of the consolidated profit before income tax for the years ended December 31, 2020 and 2019 respectively.

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We have audited and expressed an unqualified opinion with other matter paragraph and emphasis of matter paragraph on the parent company only financial statements of Mercuries & Associates Holding, Ltd. as of and for the years ended December 31, 2020 and 2019.

Emphasis of matter paragraph

As described in Note 4.35 to the consolidated financial statements, Mercuries & Associates Holding, Ltd. and its subsidiaries have changed the measurement of investment property from cost model to fair value model since January 1, 2020, and retrospectively adjusted the financial statements for the years ended December 31, 2019. Accordingly, we do not revise our audit opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Mercuries & Associates Holding, Ltd. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mercuries & Associates Holding, Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Mercuries & Associates Holding, Ltd. and its subsidiaries.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mercuries & Associates Holding, Ltd. and its subsidiaries internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mercuries & Associates Holding, Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Mercuries & Associates Holding, Ltd. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Mercuries & Associates Holding, Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ke-Yi Liu and Shu-Chen Chang.

BDO TAIWAN

March 31, 2021

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020, December 31 and January 1,2019

UNIT：NTD (In Thousands)

Assets	Notes	December 31, 2020	%	December 31, 2019(Restated)	%	January 1, 2019(Restated)	%
Current assets							
Cash and cash equivalents	6.1	$148,214,785	10.85	$96,408,757	7.48	$69,078,201	5.91
Financial assets at fair value through profit or loss - current	6.2	30,312	-	676,089	0.05	589,377	0.05
Financial assets at fair value through other comprehensive income - current	6.3	110	-	159,944	0.01	309,390	0.03
Financial assets at amortized cost - current		45,472	-	53,984	-	3,588	-
Contract assets - current		409,242	0.03	414,488	0.03	466,648	0.04
Accounts receivable, net	6.4	10,876,348	0.80	10,848,817	0.84	11,482,347	0.98
Current income tax assets		1,516,216	0.11	1,505,983	0.12	1,335,905	0.11
Inventories	6.5	4,429,808	0.32	4,413,287	0.34	4,126,057	0.35
Prepayments		545,226	0.04	650,834	0.05	477,256	0.04
Reinsurance contract assets, net	6.6	861,360	0.06	986,230	0.08	567,736	0.05
Other current assets		219,151	0.02	191,528	0.02	31,591	-
Bills discounted and loans, net	6.7	70,275,910	5.16	71,266,014	5.54	72,386,066	6.21
Sub-total		237,423,940	17.39	187,575,955	14.56	160,854,162	13.77
Non-current assets							
Financial assets at fair value through profit or loss - non-current	6.8	86,871,455	6.36	97,052,917	7.53	108,201,731	9.26
Financial assets at fair value through other comprehensive income - non-current	6.9	45,729,877	3.35	52,743,365	4.09	39,569,896	3.39
Financial assets at amortized cost - non-current	6.10	817,023,310	59.84	791,295,211	61.43	724,838,496	62.05
Investments accounted for under equity method	6.11	3,800,369	0.28	3,862,579	0.30	3,541,651	0.30
Property, plant and equipment	6.12	15,276,996	1.12	14,873,798	1.15	14,991,023	1.28
Right-of-use assets	6.13	3,981,644	0.29	3,558,653	0.28	-	-
Investment property, net	6.14	27,250,368	2.00	27,595,662	2.14	31,200,851	2.67
Intangible assets		210,814	0.02	220,865	0.02	200,649	0.02
Deferred tax assets	6.35	5,381,989	0.39	5,573,047	0.43	5,007,673	0.43
Other non-current assets	6.15	122,462,097	8.96	103,833,216	8.07	79,789,584	6.83
Sub-total		1,127,988,919	82.61	1,100,609,313	85.44	1,007,341,554	86.23
Total assets		$1,365,412,859	100.00	$1,288,185,268	100.00	$1,168,195,716	100.00

Liabilities & Stockholders' Equity	Notes	December 31, 2020	%	December 31, 2019(Restated)	%	January 1, 2019(Restated)	%
Current liabilities							
Short-term borrowings	6.16	$665,000	0.05	$1,287,000	0.10	$636,000	0.05
Short-term notes and bills payable	6.17	1,249,824	0.09	914,786	0.07	769,995	0.07
Contract liabilities - current		905,484	0.07	883,077	0.07	909,652	0.08
Accounts payable	6.18	8,095,703	0.59	7,237,776	0.56	7,784,219	0.67
Commissions payable		1,063,740	0.08	1,455,092	0.11	1,218,339	0.10
Claims and benefits payable		750,325	0.05	734,556	0.06	788,755	0.07
Due to reinsurers and ceding companies		683,968	0.05	894,623	0.07	300,994	0.03
Current income tax liabilities		384,091	0.03	198,044	0.02	333,914	0.03
Advanced receipts		184,495	0.01	457,837	0.04	188,407	0.01
Lease liabilities - current	6.13	1,319,334	0.10	1,096,167	0.08	-	-
Other current liabilities		636,788	0.05	70,761	-	69,219	-
Sub-total		15,938,752	1.17	15,229,719	1.18	12,999,494	1.11
Non-current liabilities							
Financial liabilities at fair value through profit or loss - non-current	6.19	1,979,315	0.14	251,177	0.02	1,782,407	0.15
Contract liabilities - non-current		15,782	-	18,928	-	17,562	-
Bonds payable	6.20	7,500,000	0.55	7,500,000	0.58	7,500,000	0.64
Long-term borrowings	6.21	8,506,500	0.62	8,230,000	0.64	8,038,000	0.69
Provisions - non-current	6.22	1,159,532,867	84.92	1,102,882,315	85.62	1,027,724,350	87.98
Separate account liabilities for unit-linked products	6.15	115,616,466	8.47	96,566,362	7.50	72,416,052	6.20
Guarantee deposits received		2,666,246	0.20	2,689,984	0.21	543,913	0.05
Lease liabilities - non-current	6.13	2,863,486	0.21	2,545,195	0.20	-	-
Deferred tax liabilities	6.35	1,651,801	0.12	2,089,064	0.16	819,361	0.07
Other non-current liabilities		2,327,263	0.17	2,471,356	0.19	3,296,280	0.28
Sub-total		1,302,659,726	95.40	1,225,244,381	95.12	1,122,137,925	96.06
Total Liabilities		1,318,598,478	96.57	1,240,474,100	96.30	1,135,137,419	97.17
Equity attributable to owners of the parent							
Share Capital	6.28						
Common stock		9,093,510	0.67	8,266,827	0.64	8,266,827	0.71
Capital surplus	6.29	2,032,125	0.15	1,913,534	0.15	2,233,713	0.19
Retained earnings	6.30						
Legal reserve		2,464,186	0.18	2,111,950	0.16	2,078,748	0.18
Special reserve		4,068,090	0.30	4,487,427	0.35	313,993	0.03
Unappropriated earnings		5,590,916	0.41	6,065,675	0.47	6,793,204	0.58
Other equity	6.32	(3,087,013)	(0.23)	(1,740,041)	(0.14)	(5,703,642)	(0.49)
Treasury stock	6.31	(532,672)	(0.04)	(532,672)	(0.04)	(532,672)	(0.05)
Total equity attributable to owners of the parent		19,629,142	1.44	20,572,700	1.59	13,450,171	1.15
Non-controlling interests	6.33	27,185,239	1.99	27,138,468	2.11	19,608,126	1.68
Total Equity		46,814,381	3.43	47,711,168	3.70	33,058,297	2.83
Total Liabilities and Equity		$1,365,412,859	100.00	$1,288,185,268	100.00	$1,168,195,716	100.00

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020 and 2019

UNIT：NTD (In Thousands)

Item	Notes	2020	%	2019 (Restated)	%
Operating revenue					
Interest income		$32,902,572	15.62	$34,982,409	15.28
Premiums income	6.26	107,018,303	50.80	120,509,085	52.65
Commission on reinsurance ceded		18,286	0.01	28,451	0.01
Fee income		1,714,474	0.81	1,451,993	0.63
Share of profit of associates and joint ventures accounted for under equity method	6.11	307,050	0.15	261,677	0.11
Separate account revenue for unit-linked products	6.15	10,141,355	4.81	17,313,636	7.56
Gain on financial assets (liabilities) measured at fair value through profit or loss		11,599,778	5.51	15,233,673	6.66
Realized gains on financial assets measured at fair value through other comprehensive income		3,389,361	1.61	898,960	0.39
Gain arising from derecognition of financial assets measured at amortized cost		9,053,523	4.30	8,679,098	3.79
Net sales revenue					
Sales revenue		28,039,273	13.31	26,499,434	11.58
Sales returns		(43,508)	(0.02)	(26,507)	(0.01)
Sales discounts and allowances		(2,240)	-	(4,479)	-
Rental income		417,960	0.20	418,569	0.18
Service revenue		486,241	0.23	421,701	0.18
Construction revenue		24,302	0.01	-	-
Gain on disposal of investments		2,830	-	9,609	-
Gain on investment property		746,505	0.35	1,121,032	0.49
Reserve for fluctuation of foreign exchange movement	6.23	1,002,577	0.48	607,468	0.27
Profit reclassified by applying overlay approach	6.8	3,048,482	1.45	-	-
Gain on reversal of expected credit impairment loss		443,331	0.21	101,176	0.04
Other income		348,855	0.16	362,028	0.19
Total operating revenue		210,659,310	100.00	228,869,013	100.00
Operating cost					
Interest expenses		(113,775)	(0.05)	(143,987)	(0.06)
Underwriting expenses		(37,068)	(0.02)	(40,379)	(0.02)
Commission expenses		(7,254,559)	(3.44)	(8,499,056)	(3.71)
Insurance claims and benefits	6.27	(62,911,262)	(29.86)	(62,630,852)	(27.37)
Other insurance liabilities movement		(70,158,681)	(33.31)	(80,345,784)	(35.11)
Separate account expenses for unit-linked products	6.15	(10,141,355)	(4.81)	(17,313,636)	(7.56)
Cost of goods sold		(19,257,556)	(9.14)	(18,464,356)	(8.07)
Service cost		(12,966)	(0.01)	(13,007)	(0.01)
Construction cost		(8,083)	-	(4,124)	-
Operating expenses					
Selling expense		(5,522,607)	(2.62)	(5,591,691)	(2.44)
General and administrative expenses		(6,590,415)	(3.13)	(6,592,866)	(2.88)
Research and development expenses		(211,718)	(0.10)	(183,502)	(0.08)
Loss on disposal of property, plant and equipment		(10,798)	(0.01)	(9,779)	-
Loss reclassified by applying overlay approach	6.8	-	-	(10,290,741)	(4.50)
Loss on impairment losses		(8,571)	-	-	-
Loss on foreign exchange		(24,083,067)	(11.43)	(11,367,190)	(4.97)
Other expense		(1,164,843)	(0.56)	(613,482)	(0.26)
Total operating cost		(207,487,324)	(98.49)	(222,104,432)	(97.04)
Profit (loss) before income tax from continuing operations		3,171,986	1.51	6,764,581	2.96
Income tax (expenses) benefits	6.35	(649,507)	(0.31)	(209,863)	(0.10)
Net profit (loss) from continuing operations		2,522,479	1.20	6,554,718	2.86
Net profit (loss)		2,522,479	1.20	6,554,718	2.86
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		58,569	0.03	(87,849)	(0.04)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(120,048)	(0.06)	(61,276)	(0.03)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		(45,924)	(0.02)	(21,811)	(0.01)
Income tax relating to components	6.35	(2,511)	-	(16,885)	(0.01)
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		(13,470)	(0.01)	(14,694)	(0.01)
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income		280,424	0.13	(256,843)	(0.11)
Other comprehensive income (loss) on reclassification under the overlay approach	6.8	(3,048,482)	(1.45)	10,290,741	4.50
Income tax relating to components	6.35	(61,730)	(0.02)	(1,016,049)	(0.44)
Other comprehensive income (loss)		(2,953,172)	(1.40)	8,815,334	3.85
Total comprehensive income (loss)		(430,693)	(0.20)	15,370,052	6.71
Profit (loss) attributable to:					
Shareholders of the parent		1,397,680	0.66	3,451,578	1.51
Non-controlling interests		1,124,799	0.54	3,103,140	1.35
Total		2,522,479	1.20	6,554,718	2.86
Comprehensive income (loss) attributable to:					
Shareholders of the parent		72,754	0.03	7,443,294	3.25
Non-controlling interests		(503,447)	(0.23)	7,926,758	3.46
Total		$(430,693)	(0.20)	$15,370,052	6.71
Earnings per share					
Income (loss) from continuing operations, net of income tax		$1.63		$4.03	
Basic earnings (loss) per share (in dollars)	6.36	$1.63		$4.03	
Diluted earnings per share (in dollars)	6.36	$1.63		$4.02	
The pro forma net income and earning per share if accounting for treasury stock had not been adopted are as follows:					
Pro forma after income tax		$1,445,087		$3,475,282	
Earnings per share		$1.59		$3.82	

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2020 and 2019

UNIT：NTD (In Thousands)

	Equity Attributable to Shareholders of the Parent												
			Retained Earnings			Other Equity Interests							
Summary	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Reclassification to Other Comprehensive Income Due to The Overlay Approach	Others	Treasury Stock	Sub Total	Non-Controlling Interest	Total
Balance on January 1, 2019	$8,266,827	$2,233,713	$2,078,748	$313,993	$4,206,636	$(7,492)	$305,418	$(6,008,211)	$6,643	$(532,672)	$10,863,603	$17,957,254	$28,820,857
Effects of retrospective application and retrospective restatement	-	-	-	-	2,586,568	-	-	-	-	-	2,586,568	1,650,872	4,237,440
Balance on January 1, 2019	8,266,827	2,233,713	2,078,748	313,993	6,793,204	(7,492)	305,418	(6,008,211)	6,643	(532,672)	13,450,171	19,608,126	33,058,297
Appropriation earnings 2018													
Legal reserve	-	-	33,202	-	(33,202)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,173,434	(4,173,434)	-	-	-	-	-	-	-	-
Effects of changes in ownership interest from investee	-	57,602	-	-	(578)	-	-	-	-	-	57,024	-	57,024
Changes in unappropriated earnings of investees	-	-	-	-	(8)	-	-	-	-	-	(8)	-	(8)
Changes in capital surplus of investees	-	11,857	-	-	-	-	-	-	-	-	11,857	-	11,857
Cash dividends from capital surplus	-	(413,341)	-	-	-	-	-	-	-	-	(413,341)	-	(413,341)
Net profit (loss)	-	-	-	-	3,451,578	-	-	-	-	-	3,451,578	3,103,140	6,554,718
Other comprehensive income (loss)	-	-	-	-	(21,810)	(8,688)	(175,545)	4,197,759	-	-	3,991,716	4,823,618	8,815,334
Dividends from the Company received by subsidiaries	-	23,703	-	-	-	-	-	-	-	-	23,703	-	23,703
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(396,416)	(396,416)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	51,801	-	(51,801)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	(1,876)	-	1,876	-	-	-	-	-	-
Balance on January 1, 2020	$8,266,827	$1,913,534	$2,111,950	$4,487,427	$6,065,675	$(16,180)	$79,948	$(1,810,452)	$6,643	$(532,672)	$20,572,700	$27,138,468	$47,711,168
Special reserve (Note 6.30)	-	-	-	2,543,314	(2,543,314)	-	-	-	-	-	-	-	-
Appropriation earnings 2019													
Legal reserve	-	-	352,236	-	(352,236)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(2,962,651)	2,962,651	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(826,683)	-	-	-	-	-	(826,683)	-	(826,683)
Stock dividends	826,683	-	-	-	(826,683)	-	-	-	-	-	-	-	-
Effects of changes in ownership interest from investee	-	(13,240)	-	-	(308,220)	-	-	-	-	-	(321,460)	-	(321,460)
Changes in capital surplus of investees	-	84,424	-	-	-	-	-	-	-	-	84,424	-	84,424
Net profit (loss)	-	-	-	-	1,397,680	-	-	-	-	-	1,397,680	1,124,799	2,522,479
Other comprehensive income (loss)	-	-	-	-	(45,923)	(79)	87,731	(1,366,655)	-	-	(1,324,926)	(1,628,246)	(2,953,172)
Dividends from the Company received by subsidiaries	-	47,407	-	-	-	-	-	-	-	-	47,407	-	47,407
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	550,218	550,218
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	62,625	-	(62,625)	-	-	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	5,344	-	(5,344)	-	-	-	-	-	-
Balance on December 31, 2020	$9,093,510	$2,032,125	$2,464,186	$4,068,090	$5,590,916	$(16,259)	$99,710	$(3,177,107)	$6,643	$(532,672)	$19,629,142	$27,185,239	$46,814,381

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

UNIT：NTD (In Thousands)

Items	2020	2019(Restated)
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	$3,171,986	$6,764,581
Adjustments for		
Income and expenses having no effect on cash flows		
Depreciation	2,252,919	2,210,382
Amortization	188,448	176,350
Net change in insurance liabilities	70,426,488	80,592,187
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	(11,599,778)	(15,233,673)
Net gain on financial assets or liabilities at fair value through other comprehensive income	(3,389,361)	(900,983)
Interest expense	519,435	509,928
Net gain arising from derecognition of financial assets measured at amortized cost	(9,053,523)	(8,679,098)
Interest income	(32,902,437)	(34,982,409)
Net change in reserve for fluctuation of foreign exchange movement	(1,002,577)	(607,468)
Reversal of expected credit impairment losses on investments	(456,632)	(109,198)
Expected credit impairment losses (gains) on non-investments	21,872	8,022
Share of profit of associates and joint ventures accounted for under equity method	(307,050)	(261,677)
(Profit) loss reclassified by applying overlay approach	(3,048,482)	10,290,741
Gain on fair value adjustment of investment property	(250,675)	(48,093)
Loss on disposal of property, plant and equipment	413,365	19,772
Loss on unrealized foreign exchange	23,378,132	14,748,058
Net cash generated from Income and expenses having no effect on cash flows	35,190,144	47,732,841
Changes in assets and liabilities related to operating activities		
Changes in assets related to operating activities:		
(Increase) decrease in financial assets at fair value through profit or loss	22,292,375	20,602,244
(Increase) decrease in accounts receivable	(92,043)	1,604,874
(Increase) decrease in inventories	168,116	(287,231)
(Increase) decrease in prepayments	136,768	(155,509)
(Increase) decrease in contract assets	5,247	52,160
(Increase) decrease in other current assets	(24,378)	(159,937)
(Increase) decrease in reinsurance contract assets	209,498	(353,546)
(Increase) decrease in other assets	(31,494)	(7,764)
Net cash generated from changes in assets related to operating activities	22,664,089	21,295,291
Changes in liabilities related to operating activities:		
Increase (decrease) in accounts payable	93,171	396,097
Increase (decrease) in provisions	(277,479)	(501,649)
Increase (decrease) in contract liabilities	7,097	(25,208)
Increase (decrease) in other liabilities	(285,965)	(139,873)
Others	(12,186,144)	(4,907,220)
Net cash generated from changes in liabilities related to operating activities	(12,649,320)	(5,177,853)
Net cash generated from changes in assets and liabilities related to operating activities	10,014,769	16,117,438
Total adjustments	45,204,913	63,850,279
Cash inflow generated from operations		
Interest received	34,374,757	22,627,821
Dividends received	1,932,260	3,684,896
Interest paid	(479,169)	(635,344)
Income taxes paid	(781,178)	(832,508)
Net cash flows generated from (used in) operating activities	83,423,569	95,459,725
Cash flows from (used in) investing activities		
Decrease in loans	999,075	1,159,770
Acquisition of financial assets at fair value through other comprehensive income	(53,351,342)	(45,260,218)
Proceeds from disposal of financial assets at fair value through other comprehensive income	65,790,829	32,000,495
Acquisition of financial assets at amortized cost	(250,893,466)	(212,671,028)
Proceeds from disposal of financial assets at amortized cost	68,291,635	77,289,175
Proceeds from repayments of financial assets at amortized cost	140,261,071	74,904,279
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	22,127	22,152
Acquisition of investment accounted for under equity method	-	(253,619)
Disposal of investments accounted under the equity method	-	784
Acquisition of subsidiary	(1,562)	-
Acquisition of property, plant and equipment	(1,113,366)	(820,637)
Proceeds from disposal of property, plant and equipment	1,557	2,391
(Increase) decrease in prepayments for equipment	(68,785)	(7,684)
Acquisition of intangible assets	(102,855)	(96,634)
Proceeds from disposal of intangible assets	2,328	583
Proceeds from disposal of investment property	-	3,653,281
Decrease (increase) in guarantee deposits	427,316	597,770
Net cash flows generated from (used in) investing activities	(29,735,438)	(69,479,140)
Cash flows from (used in) financing activities		
Increase (decrease) in short-term borrowings	(622,000)	651,000
Increase (decrease) in short-term notes and bills payable	335,038	144,806
Proceeds from long-term borrowings	82,767,500	82,122,000
Repayments of long-term borrowings	(82,491,000)	(81,930,000)
Cash dividends	(1,186,988)	(695,818)
Cash increase	723,302	-
Increase (decrease) in guarantee deposits received	(24,718)	2,146,070
Repayment of the principle portion of lease liabilities	(1,442,247)	(1,251,607)
Increase(decrease) in non-controlling interest	59,452	165,816
Net cash generated from (used in) financing activities	(1,881,661)	1,352,267
Effect of exchange in exchanges rate on cash and cash equivalents	(442)	(2,296)
Net increase (decrease) in cash and cash equivalents	51,806,028	27,330,556
Cash and cash equivalents at beginning of period	96,408,757	69,078,201
Cash and cash equivalents at end of period	$148,214,785	$96,408,757

The accompanying notes are an integral part of financial statements

1. GENERAL

Mercuries & Associates Holding, Ltd.(the Company) was founded in February 1965, formerly known as Mercuries & Associates, Co., Ltd. and reorganized its structure in 2015. The Company and its affiliates belong to a comprehensive service industry, providing a group of services including insurance, food & beverage, pharmaceutical and IT integration. The Company is mainly engaged in finance and investment.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC") :

New standards, interpretations and amendments as endorsed by FSC effective from 2020 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendments to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company：

New standards, interpretations and amendments as endorsed by the FSC effective from 2021 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest rate benchmark reform - phase 2'	January 1, 2021

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS standards 2018-2020	January 1, 2022

Except for the following, the Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation：

3.3.1. IFRS 17 'Insurance contracts'

The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:

(1) Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest.

(2) Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk.

(3) Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.

3.3.2. Amendments to IFRS 17, 'Insurance contracts'

The fundamental principles introduced when the International Accounting Standards Board first issued IFRS I7 in May 2017 remain unaffected. The amendments are designed to:

(1) reduce costs by simplifying some requirements in the Standard ;

(2) make financial performance easier to explain; and

(3) Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC(the 'IFRSs').

4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the followings:

(1) Financial instruments at fair value through profit or loss are measured at fair value (including derivative instruments).

(2) Financial instruments at fair value through other comprehensive income are measured at fair value.

(3) Liabilities on cash-settled share-based payment arrangements are measured at fair value.

(4) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

(5) Reinsurance contract assets, insurance liabilities and provisions for insurance contracts with the feature of financial instruments are measured in compliance with the 'Regulations Governing Various Reserves by Insurance Enterprises'.

(6) Investment properties are measured at fair value.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Basis of Consolidation

All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.

Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of its subsidiaries have been adjusted to align with those used by the Company.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

4.4. Subsidiaries of the Company (MAH) included in the consolidated financial statements:

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		Note
				2020.12.31	2019.12.31	
1	MAH, MDS, MFB, MF, MA and MF&B	Mercuries Life Insurance Co., Ltd. ("MLI")	Life insurance	44.57%	45.57%	(1)
2	MAH	Mercuries & Associates, Ltd. ("MA")	Retail of footwear	100.00%	100.00%	(2)
3	MAH	Mercuries Data Systems Ltd. ("MDS")	Sales of Computer equipment	53.44%	53.44%	-
4	MAH and MFB	SCI Pharmtech Inc. ("SCI")	Manufacture and sales of Active Pharmaceutical Ingredients("API") and API Intermediates	34.18%	33.58%	(1)
5	MAH	Mercury Fu Bao Co., Ltd. ("MFB")	Sales and agency of liquor, cigar and cigarette	100.00%	100.00%	-
6	MAH	Mercuries General Media, Inc. ("MGM")	Agency for import production of video tapes, etc.	86.96%	86.96%	-
7	MAH	Mercuries Harvest Co., Ltd. ("MH")	Lease and sales of machinery equipment	100.00%	100.00%	-
8	MAH	Mercuries F&B Co., Ltd. ("MF&B")	Beef noodles, other kinds of rice, noodles, pizza and fried chicken restaurant chain stores	93.63%	93.63%	(2),(3),(4)
9	MAH, MA, MFB, MF&B and MH	Mercuries Leisure Co., Ltd. ("MI")	Leisure and entertainment	81.64%	81.64%	-
10	MAH, MDS and MFB	Hipact Tech. Inc. ("HT")	Computer equipment installation and data processing	86.58%	86.58%	-

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		Note
				2020.12.31	2019.12.31	
11	MAH	Mercuries Furniture Co., Ltd. (“MF”)	Furniture retail and decoration	100.00%	100.00%	-
12	MAH, MDS and MFB	Wayia. Com Inc. (“WC”)	Software services	-	-	(5)
13	MAH	M. T. I. Cigars Co., Ltd. (“M.T.I.”)	Sales and agency of liquor, cigar and cigarette	100.00%	100.00%	(6)
14	MAH	Mercuries Insurance Agency Co. Ltd. (“MIA”)	Agency of insurance	100.00%	100.00%	-
15	MAH	Mercuries Liquor & Food Co., Ltd. (“MLF”)	Wholesale of tobacco and liquor, beverage and food	100.00%	100.00%	-
16	MAH	Tastynoodle Co., Ltd (“Tastynoodle”)	Investment	100.00%	100.00%	-
17	MAH and MA	Family Shoemart Co., Ltd (“Family Shoemart”)	Investment	100.00%	100.00%	-
18	MAH	Simple Mart Retail Co., Ltd. (“SMR”)	Retail	68.88%	68.53%	(7)
19	MAH and SMR	Sanyou Drugstores, Ltd.(“SD”)	Retail of cosmeceutical	100.00%	-	(8)
20	MF&B	Mercuries Food Service Japan Ltd. (“MFS Japan”)	Catering	100.00%	100.00%	(9)
21	MAH, MFB, M.T.I. and MF&B	Mercuries Foodservice Co., Ltd. (“Foodservice”)	Investment	100.00%	100.00%	-
22	MAH and MFB	Asiandawn Ventures Inc. (“Asiandawn”)	Investment	-	90.96%	(10)
23	Foodservice and Tastynoodle	Mercuries Foodservice (Shanghai) Ltd. (“MF Shanghai”)	Management of food and beverage	-	-	(11)

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		Note
				2020.12.31	2019.12.31	
24	Foodservice	Mercuries Bakery (Shanghai) Ltd. ("MB Shanghai")	Catering, beverages and food	-	-	(12)
25	MDS	Mercuries Data Systems International Ltd. ("MDSI")	Investment	100.00%	100.00%	-
26	MDS	IT Union Limited (ITU)	Sales of electronic equipment	-	-	(13)
27	MDS	Mercuries Information Systems International Co., Ltd. ("MISI")	Software and data processing services	100.00%	100.00%	-
28	MDSI	Core Info Tech Limited (Hong Kong) ("CIT HK")	Investment	100.00%	100.00%	-
29	CIT HK	Mercuries Soft (Nanjing) Ltd. ("MS Nanjing")	Computer software, development, production and sales of information software, self-produced product management and related technical consulting services	100.00%	100.00%	-
30	SCI	Yushan Holding Universal Ltd. ("YHU")	Investment	-	-	(14)
31	SCI	Yushan Pharmaceuticals, Inc. ("YP")	Research and development, manufacture and sales of Active Pharmaceutical Ingredients("API")	100.00%	100.00%	(15)
32	YHU	Yushan Pharmaceuticals, Inc. ("YP")	Research and development, manufacture and sales of Active Pharmaceutical Ingredients("API")	-	-	(15)
33	SMR	Zfranchises Taiwan, Pte. Ltd. ("Zfranchises")	Retail of catering	-	-	(16)
34	SMR	Simple Mart Plus Co., Ltd. ("SMP")	Retail	100.00%	100.00%	-
35	Foodservice and Family Shoemart	Mercuries Rich Ltd. ("MR")	Retail and import and export supporting services	-	100.00%	(17), (18)

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		Note
				2020.12.31	2019.12.31	
36	MLF	Shang Rih Ltd. ("SR")	Wholesale of beverages	100.00%	100.00%	-
37	MB Shanghai	Bakery Cafe Ltd. ("BC")	Catering, beverages and food	-	-	(19)
38	MF Shanghai	Mercuries F&B (Shanghai) Ltd. ("MF&B Shanghai")	Catering	-	-	(19)
39	SR	Mercuries Liquor & Food Japan Co., Ltd. ("MLF Japan")	Sales of tobacco and liquor, beverage and food	100.00%	100.00%	-
40	MF&B	Mercuries F&B Consulting Co., Ltd. ("MF&BC")	Catering	97.00%	97.00%	-

Note 1：The Company has control over the subsidiary's finance, operations, and employment decisions. Therefore, it has control over the subsidiary.

Note 2：MA has resolved by the board of directors to split off and transfer its food department to MF&B on January 1, 2019. Please refer to Note 12.13 for more information.

Note 3：Napoli Co., Ltd. was renamed as Mercuries F&B Co., Ltd. on January 1, 2019.

Note 4：MF&B has resolved by the board of directors to issue employee stock warrants of 2,800 thousand units on April 9, 2019. Common stock of 2,719 thousand shares at NT20 per share were issued for the conversion on June 10, 2019. Percentage of ownership decreased to 93.63%.

Note 5：WC has resolved by the special meeting of shareholders to dissolve on October 30, 2018. The liquidation procedures has been completed on March 15, 2019.

Note 6：Mercuries Bakery Co., Ltd. was renamed as M.T.I.Cigars.,Ltd. on December 5, 2019.

Note 7：SMR has resolved by the board of directors to issue 585 thousand shares at NT110 per share on March 7, 2019. The Company's shareholding down to 68.53%. In addition, SMR repurchased its own shares in April 2020 and the shareholding increased to 68.88%.

Note 8：MAH and SMR signed a Share Purchase Agreement with Sumitomo Corporation on October 16, 2020 to purchase shares of Sanyou Drugstores, Ltd. (SD) and obtained 5,000 thousand and 45,000 thousand shares, respectively. The transaction were completed on December 22, 2020 and the shareholding increased to 55%.

Note 9：MAH and MA sold shares of MFS Japan to MF&B in October, 2019 to adjust the investment structure of the group.

Note 10：Asiandawn has resolved by the board of directors to dissolve on December 31, 2019. The liquidation procedures has been completed on May 26, 2020.

Note 11：The liquidation procedures of MF Shanghai has been completed on October 30, 2019.

Note 12：The liquidation procedures of MB Shanghai has been completed on December 18, 2019.

Note 13：ITU was resolved by the board of directors to dissolve on August 12, 2019 and the liquidation procedures has been completed on November 1, 2019.

Note 14：The liquidation procedures of YHU has been completed in May 2019.

Note 15：YP was a subsidiary of YHU before April 2019 and became a subsidiary of SCI due to the adjustment of organization structure.

Note 16：The liquidation procedures of Zfranchises has been completed on September 25, 2019.

Note 17：MR was resolved by the board of directors to reduce capital and refund to MB Shanghai. The procedures has been completed on July 11, 2019.

Note 18：The liquidation procedures of MR has been completed on July 27, 2020.

Note 19：The liquidation procedures of BC and MF&B Shanghai have been completed on February 22, 2019 and January 16, 2019.

4.5. The financial statements of SMR, SCI, YP, MF&B, MF&BC,SMP, ZFRANCHISES, MH, ML, MFS Japan and SD on December 31, 2020; and the financial statements of SMR, SCI, YP, MF&B, MF&BC, SMP, ZFRANCHISES, MH, ML and MFS Japan on December 31.2019 were audited by other auditors. Total assets of the aforementioned subsidiaries were $13,173,861 thousand and $12,390,082 thousand, constituting 0.96% and 0.96% of the total consolidated assets as of December 31, 2020 and 2019 respectively. Total comprehensive income were $949,138 thousand and $1,015,372 thousand, constituting 220.37% and 6.61% of total consolidated comprehensive income for the years ended December 31, 2020 and 2019 respectively.

4.6. Subsidiaries not included in the consolidated financial statements: None

4.7. Subsidiaries with non-controlling interests that are material to the Company:

As of December 31, 2020 and 2019 and January 1, 2019, non-controlling interest amounted to $27,185,239 thousand, $27,138,468 thousand and $19,608,126 thousand, respectively. The information of material non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest					
		December 31, 2020		December 31, 2019 (Restated)		January 01, 2019 (Restated)	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
MLI	Taiwan	$23,408,893	55.43%	$23,272,893	54.43%	$15,819,408	54.43%

Summarized financial information of the subsidiaries: (Not adjust according to the equity ratio) :

Balance sheets

	MLI		
	December 31, 2020	December 31, 2019 (Restated)	January 01, 2019 (Restated)
Assets	$1,338,837,240	$1,262,555,321	$1,147,175,619
Liabilities	1,296,725,451	1,219,929,571	1,118,251,383
Total net assets	$42,111,789	$42,625,750	$28,924,236

Statements of comprehensive income

	MLI	
	2020	2019 (Restated)
Revenue	$157,231,964	$179,022,429
Profit before income tax from continuing operations	1,740,311	4,934,190
Income tax (expense) benefit	(295,773)	77,322
Net profit	1,444,538	5,011,512
Other comprehensive income	(2,967,401)	8,685,008
Total comprehensive income for the period	$(1,522,863)	$13,696,520

Statements of cash flows

	MLI	
	2020	2019 (Restated)
Net cash flows generated from (used in) operating activities	$79,853,993	$93,543,080
Net cash flows generated from (used in) investing activities	(28,915,467)	(68,494,592)
Net cash flows generated from (used in) financing activities	762,816	1,978,418
Net increase (decrease) in cash and cash equivalents	51,701,342	27,026,906
Cash and cash equivalents at beginning of year	94,480,586	67,453,680
Cash and cash equivalents at end of year	$146,181,928	$94,480,586

4.8. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the Company and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

4.9. Classification of current and non–current items

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting period. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

The subsidiary MLI primarily engages in life insurance business. In the insurance industries, there is no clear standard distinction for the length of operating cycle depending on the nature of the insurance contracts and the different durations of the insurance claim processing. Therefore, MLI does not present the classification of current or non-current assets, and current or non-current liabilities.

4.10. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

4.11. Financial assets

Financial assets and financial liabilities are initially recognized when the Company and its subsidiaries become a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

4.11.1. Financial assets

All regular way purchases of sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI); fair value through profit or loss (FVTPL). The Company and its subsidiaries shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

A. It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

B. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

A. It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

B. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company and its subsidiaries may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company and its subsidiaries' right to receive payment is established.

(3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable. On initial recognition, the Company and its subsidiaries may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(4) Loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans are measured at amortized cost using the effective interest method less any impairment losses. Transaction accounting is used when buying or selling financial assets in accordance with trading practices.

Loans consist of policy loans, auto premium loans, and mortgage loans. Policy loans are loans guaranteed by the policy. Auto premium loans are premiums paid by the Company according to the policy. Mortgage loans include loans and overdue loans that have been secured by real estate, chattel and securities, loans and overdue loans approved by the competent authority. Loans are stated at the outstanding principal without unearned revenue. The amortized cost and interest income are measured using the effective interest method.

(5) Overdue loans

When the principal or interest of a loan is overdue by more than three months, or payment has been requested by the Company, or when the collateral has been disposed of, it is recorded as a delinquent loan.

A delinquent loan is transferred to an overdue loans account within six months after its due date, or when there is a direct evidence to reveal that the financial capability of the accommodator is insufficient to pay off. For delinquent loans transferred to overdue loans, the accrued interest is not accrued internally but externally, and it continues to be included in the request for payment. Unpaid interest for a delinquent loan accrued before it is transferred to the overdue loans account is transferred to overdue loans together with the principal.

Accrued premium receivables, interest receivables and other receivables are classified as delinquent receivables when they are more than three months overdue. Claims recoverable from reinsurers and due from other insurers previously were classified as delinquent receivables when they were more than nine months overdue.

(6) Business model assessment

The Company and its subsidiaries make an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

A. The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets.

B. How the performance of the portfolio is evaluated and reported to the Company and its subsidiaries' management.

C. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company and its subsidiaries' continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(7)Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company and its subsidiaries consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company and its subsidiaries consider:

A. Contingent events that would change the amount or timing of cash flows;

B. Terms that may adjust the contractual coupon rate, including variable rate features;

C. Prepayment and extension features; and

D. Terms that limit the Company and its subsidiaries' claim to cash flows from specified assets (e.g. non- recourse features).

(8) Impairment of financial assets

The Company and its subsidiaries recognize loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, amortized costs, loans, refundable deposits and other financial assets), debt investments measured at FVOCI.

The Company and its subsidiaries measure loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

A. Debt securities that are determined to have low credit risk at the reporting date; and

B. Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company and its subsidiaries are exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company and its subsidiaries consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company and its subsidiaries' historical experience and informed credit assessment as well as forward-looking information.

The Company and its subsidiaries consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's".

The Company and its subsidiaries assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or the credit rating of financial instrument has been defined as lower than the investment grade and equal or lower than the initial purchase rating by 2 notches.

The Company and its subsidiaries consider a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company and its subsidiaries in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company and its subsidiaries in accordance with the contract and the cash flows that the Company and its subsidiaries expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company and its subsidiaries assess whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

A. Significant financial difficulty of the borrower or issuer;

B. A breach of contract such as a default or being more than 90 days past due;

C. The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

D. It is probable that the borrower will enter bankruptcy or other financial reorganization.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

Other than the assessment described above, in accordance with the “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand, and Bad Debts by Insurance Enterprises,” the subsidiary MLI classifies the loan assets into Class 1 “normal”, Class 2 “under notice”, Class 3 “possible to be recovered”, Class 4 “difficult to be recovered”, and Class 5 “with no chance of recovery”, and sets aside an allowance for doubtful accounts. The above mentioned regulation is the minimum requirement of allowance for doubtful accounts, and the sum of the allowance for doubtful accounts must not be less than the following standards:

A. The total balance of 0.5% of claim balance of Class1 loan assets after deducting life insurance loans, automatic premium loans and government debt, 2% of claim balance of Class 2 loan assets, 10% of Class 3, 50% of Class 4, and the entire claim balance of Class 5 loan assets.

The sum of loans overdue and receivables on demand which are valuated as no collaterals.

1.5% of the total balance of the policy-related loan, which are started from January 1, 2011, being deducted from the sum of housing purchase, renovating loans, and the building loans, the remaining sum has to be recognized annually before the end of 2016 in order to strengthen the ability of the insurance companies to undertake the loss of specific loans, according to FSC Insurance Bureau (FSCIB) No. 10402506096.

B. 1% of the total balance of Class 1 to 5 loan assets deducting life insurance loans, automatic premium loans, and government debt.

The amount of doubtful account is estimated as the higher of the results of the two methods used above.

The subsidiary MLI shall provide the related allowance for doubtful accounts according to the above-mentioned guidelines if the assessed amount of impairment loss in accordance with the third amendment of the IFRS 9 Financial Instruments.

(9) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company and its subsidiaries neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company and its subsidiaries enter into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(10) Overlay approach

The subsidiary MLI has designated financial assets to adopt the “overlay approach” in accordance with IFRS 4 “Insurance Contracts”, to reduce the financial impact and differences as a result of the different implementation dates between IFRS 9 and IFRS 17, whereby IFRS 17 is expected to be effective at a later date.

4.11.2. Derivative financial instruments and hedge accounting

The Company and its subsidiaries hold derivative financial instruments to hedge the risk of fluctuation of price, foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

4.11.3. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company and its subsidiaries currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.11.4. Structured entity

A structured entity has been specially designed so that voting right or other similar rights do not dominate the entity. That is, the voting right can only affect the administrative tasks, all the key operating decisions are negotiated and determined on the contract basis. The Company consolidates the structured entities into its financial statement when the following criteria are made:

(1) Having the rights over the structured entity's activity, such as, but not limit to, voting right;

(2) Having the rights to obtain the structured entity's reward by involving in such structure entity;

(3) Having the capability to exercise its rights over the structured entity to have influences over the entity's reward.

4.12. Accounts receivable and Notes receivable

Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services and are initially measured at fair value. Subsequent to initial recognition, accounts and notes receivable are measured at amortized cost using the effective interest method and recognized loss allowances in profit or loss.

4.13. Inventories

Inventories are recorded at cost when purchased and follow the perpetual inventory system. The weighted-average cost method is adopted in determining costs of inventories.

Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items.

Any defective, damaged, or obsolete inventories are stated at net realizable value if the values of such inventories are reduced significantly.

4.14. Investments accounted for under equity method -associates

Investments accounted for under equity method are investments in associates. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control or joint control over those policies.

Except classified as assets held for sale, the operating results and assets and liabilities of associates are incorporated in these consolidated financial statements under equity method of accounting. Under equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. When the loss in the affiliated enterprise recognized proportionally by the consolidated company equals or exceeds its interest in the affiliated enterprise, stop recognizing loss; also, only recognizes additional loss and related liability upon the occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Balances and transactions generated by transactions between companies as well as any unrealized income and expenses have been wrote off during the preparation of consolidated financial statements. When there is any transaction between a consolidated entity and an affiliate, the unrealized profits and losses shall be wrote off according based on the respective proportion at the time of the consolidated.

4.15. Joint operation and investment accounted for under equity method- joint ventures

Investment of joint arrangements are classified as joint operations or joint ventures based on its contractual rights and obligations.

4.15.1. For the interest in a joint operation, the Company and its subsidiaries recognize direct interest in (and other shares of) the joint operation's assets, liabilities, revenue and expense which are included in the financial statements.

4.15.2. Investment accounted for under equity method - joint ventures

The Company and its subsidiaries accounts for its interest in a joint venture under equity method. Unrealized profits and losses arising from the transactions between the Company and its subsidiaries and its joint venture are eliminated to the extent of the Company and its subsidiaries' interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Company and its subsidiaries' share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company and its subsidiaries do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

4.16. Reinsurance contract assets

The subsidiary MLI arranges the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, the subsidiary MLI cannot refuse to fulfill their obligations to insured even if the reinsurer refuses to fulfill its obligation.

Reimbursement expenses and income arising from the reinsurance business, and the amount of income payable or reimbursement from the relevant insurance contract shall be recognized in the same period. The net entitlement of the reinsurance contract, including the reinsurance reserve asset, claims and payment recoverable from reinsurers, and intercompany reinsurance receivables shall be recognized in accordance with the reinsurance contract and the relevant insurance contract liabilities. The assets or liabilities and the incomes or expenses of the reinsurance contract shall not be offset against the loss or benefit of the relevant insurance liabilities and related insurance contracts.

Reinsurance contract assets, claims and payment recoverable from reinsurers, and intercompany reinsurance receivables held by ceding companies are periodically assessed for impairment. If the reinsurance asset is impaired, its carrying amount is reduced accordingly, and impairment loss thereon is recognized in profit or loss. A reinsurance asset is impaired if, and only if, there is objective evidence that the subsidiary MLI may not receive all amounts due them under the terms of the contract as a result of an event that occurred after initial recognition of the reinsurance asset; and the impact of that event to the amounts that the subsidiary MLI will receive from the reinsurer can be measured reliably.

In determining the classification of a reinsurance contract, the subsidiaries MLI considers whether a significant insurance risk should be transferred to the reinsurer. If there is no significant insurance risk that are being transferred, the contract shall be recognized and measured in accordance with deposit accounting.

If the subsidiary MLI can measure the constituent elements of its savings separately, the insurance component of the reinsurance contract and the elements of the savings shall be recognized separately. That is, the subsidiary MLI will deduct the insurance component from the reinsurance contract after receive (or pay) the consideration of the contract, and is recognized as financial liabilities (or assets), not income (or expense). The financial liabilities (or assets) are recognized and measured at fair value and are based on discounted future cash flows as a basis for fair value measurement.

4.17. Insurance contracts

The subsidiary MLI classifies a contract as an insurance contract when the subsidiary MLI accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The definition of an insurance risk is that, a risk, other than financial risk, is being transferred from the holder of a contract to the issuer. The definition of a financial risk is that, a risk came from a possible future change in one or more of the variables (including specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating and credit index or other variable). If one of the above variables is a non-financial variable, it must not be specific to a party to the contract. Insurance contracts may also transfer some of financial risks.

The subsidiary MLI deems a risk to be significant if, and only if, an insured event could cause the subsidiary MLI to pay significant additional benefits in any scenario except a scenario that lacks commercial substance. At inception, a contract that qualifies as an insurance contract shall still be considered an insurance contract until all rights and obligations are extinguished or expire. Contracts that do not transfer a significant insurance risk are classified as financial instruments, and if a significant insurance risk is subsequently transferred, the subsidiary MLI shall reclassify the contracts as insurance contracts.

Sub-classification of insurance contracts and financial instruments will depend on whether they contain discretionary participation features or not. Discretionary participation feature is a contractual right to receive additional benefits as a supplement to guaranteed benefits:

4.17.1. That are likely to be a significant portion of the total contractual benefits;

4.17.2. Whose amount or timing is contractually at the discretion of the issuer; and

4.17.3. That are contractually based on:

(1)The performance of a specified pool of contracts or a specified type of contract;

(2)The realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or

(3)The profit or loss of the subsidiary MLI, fund or other entity that issues the contract.

When the economic characteristic and risk of embedded derivatives do not closely relate to that of their host contract, the subsidiary MLI shall separate the embedded derivatives from the host contract, and measure them at fair value and record the changes in fair value in profit or loss. However, the subsidiary MLI need not separate an embedded derivative from the host contract if it meets the definition of an insurance contract, or when the entire insurance contract are measured at fair value and the changes in fair value are recognized as profit or loss.

4.18. Investment property

Properties held by the Company and its subsidiaries to earn rentals revenue and/or for capital appreciation are classified as investment properties. Investment properties, including office buildings and lands held under operating leases, are measured initially at their costs. Cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Cost of a self-constructed investment property comprises expenditure of raw materials, direct labor, and any expenditure directly attributable to bringing the property to the condition necessary for it to be capable of operating.

The investment property is measured by fair value model from January 1, 2020 and the change of fair value is recognized as profit & loss in the current period in accordance with IAS 40 “Investment property”. However, those categorized held for sale and discontinued operations according to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” which met the criteria of non-current asset held for sale (including disposal group held for sale), and those met the criteria of the 53rd paragraph of IAS 40 “Investment property” were excluded.

When the use of a property changes, investment property is reclassified as property, plant and equipment (PPE) and its carrying amount at the date of reclassification becomes the cost for subsequent PPE.

The subsidiary MLI in order to maintain the soundness and stability of its financial structure in insurance industry, the Company needs to set aside a special reserve equal to the net amount of the adjustments on investment properties and the accumulated excess net amount after tax of the adjustment from subsequent measurement based on the fair value in according with FSCIB No.10904917647 issued on May 11, 2020,. The special reserve will then be subsequently set aside only for valid contract based on IFRS 17 "Insurance Contracts", the policy of the fair value evaluation of valid insurance contract in the insurance industry, and the other regulations designated by the authority.

4.19. Property, plant and equipment (PPE)

Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

PPE apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated.Each part of an item of PPE that is significant in relation to the total cost of the item must be depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, it is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 2 to 60 years, useful lives for other PPE are 2 to 15 years.

4.20. Leasing

4.20.1. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease constitutes the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

4.20.2. As a lease

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company and its subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(1) Fixed payments, less any lease incentives receivable;

(2) Variable lease payments that depend on an index or a rate;

(3) Amounts expected to be payable by the lessee under residual value guarantees;

(4) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

At the commencement date, the right-of-use asset is stated at cost comprising the following:

(1) The amount of the initial measurement of lease liability;

(2) Any lease payments made at or before the commencement date; and

(3) Any initial direct costs incurred.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

As a practical expedient, the Company elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

(1) The rent concessions occurring as a direct con sequence of the covid-19 pandemic;

(2) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(3) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(4) There is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

4.21. Intangible asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

4.22. Impairment of non-financial asset

For non-financial assets other than deferred tax assets and employee benefits, the Company and its subsidiaries assess whether the impairment has occurred at the end of each reporting period, and estimate its recoverable value. If the recoverable value cannot be estimated individually, the Company and its subsidiaries estimate the recoverable amount of the cash generating unit of the asset to assess the impairment.

The recoverable amount is the higher of the fair value less cost of sale for individual asset or cash generating units and the value of their use. If the recoverable value of an individual asset or cash generating unit is less than the carrying amount, it shall be write down to the recoverable amount and the impairment loss shall be recognized.

The Company and its subsidiaries reassess the impairment loss of non-financial assets other than goodwill at the end of each reporting period. If the recoverable value has increased, the impairment loss is written off in accordance with the changed of recoverable value. However, the amount added back cannot exceed the individual asset or cash generate unit's carrying amount less any depreciation expense from last year.

4.23. Employee benefits

4.23.1. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plans

A defined benefit plan is a post-employment benefit other than a defined contribution plan. The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company and its subsidiaries, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company and its subsidiaries determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company and its subsidiaries recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.23.2. Bonuses to Employees and Remuneration to Directors

Employee bonuses and directors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts by board of directors and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee's compensation is distributed by shares, number of shares distributed was calculated based on the closing price at the previous trading day of the board meeting.

4.23.3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.24. Separate account assets and liabilities

The subsidiary MLI sells investment-linked products. The insurer's costs and expenses shall be deducted (according to the agreed method) from the premiums paid by insurance applicants, and such residual premiums shall be recorded in a separate account according to the arrangements for investment allocation agreed or designated by the insurance applicants. The value of assets under separate accounts shall be calculated according to the fair value on the valuation date, and the net values of such assets shall be calculated in accordance with applicable laws and regulations and IAS.

In accordance with the "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance", the assets and liabilities under separate accounts (whether they are resulted from insurance contracts or insurance contracts with financial instruments features) are recorded as Separate account assets for unit-linked products" and " Separate account liabilities for unit-linked broducts"; the revenues and the expenses under separate accounts which are the sum of revenues and expenses of separate account that fulfill the definition provided by IFRS 4 (including investment-inked products with discretionary participating features) are respectively recorded as " Separate account revenue for unit-linked products" and "'Separate account expense for unit-linked products.

4.25. Financial liabilities and equity instruments

4.25.1. Classification of debt or equity

Debt or equity instruments issued by the Company and its subsidiaries are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

4.25.2. Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

4.25.3. Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4.25.4. Derecognition of financial assets and liabilities

The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.26. Insurance reserves

The reserve for both the insurance contracts and the investment contracts with or without discretionary participation feature of the subsidiary MLI determines reserves for insurance contracts in accordance with the Regulations Governing the Provision of Various Reserve, Regulation of Reserves for Operating Investment in Life Insurance, Regulation of Various Reserves for Operating Investment in Life Insurance and Directions for Interest-Sensitive Annuity Insurance Policy Premium Rates. The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the FSC. Except for the reserve for short-term group insurance which shall be calculated on the actual premiums or the premiums conforming to the rule prescribed in FSCIB No.10704504821, whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

In addition, some of the subsidiary MLI's insurance contracts contain discretionary participation features and guarantee factors, but the Company did not separately identify them, so the overall contract is classified as liabilities.

4.26.1. Unearned premium reserve

Unearned premium reserves for effective insurance contracts with a term less than 1 year and accident insurance for effective insurance contracts with a term more than 1 year, universal variable life insurance and universal life insurance with a term over 1 year are calculated based on the gross premiums of the insurance contracts which have not matured yet on the balance sheet date.

4.26.2. Claim reserve

Claim reserve is provided based on the incurred but not reported claims and reported but unpaid claims. For reported but unpaid cases, the claim reserves are provided based on the actual claim case by case. For incurred but not reported cases, the reserve is provided based on historical claim experiences and expenses along with the insurance types, including accident insurance, health insurance and life insurance with a term less than 1 year via the method conforming to actuarial principles (ex: Loss Development Triangle Method).

4.26.3. Policy reserve

The provision for future policy benefits is calculated in accordance with both the modified method of article 12 of the Enforcement Rules of Insurance Law and the calculation prescribed by the competent authority.

Starting from 2003, for effective insurance contracts which adopt the dividend calculation formula prescribed under MOF No. 800484251, the policy reserve is provided based on the currently reduced amount of dividend caused by the offset between interest margin and mortality margin for long term effective insurance contracts.

Starting from 2012, in accordance with FSCIB No. 10102500530 issued on January 19, 2012, a liability reserve based on 3% of sales is provided for purposes of writing off allowance for bad debts and calculated based on the terms of the "Regulations Governing the Provision of Various Reserve", the recovery of the special catastrophe reserve. In accordance with the FSCIB 10202124790 issued on November 21, 2013, additional liability reserve is not provided, since 2013.

When an insurer chooses to measure its investment property at fair value, the value of its insurance liabilities must also comply with the condition of measurement designated by the authority every year. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds the book value, the difference should be reserved for insurance liabilities and the retained earnings must be reduced. The subsidiary MLI has changed its accounting policy for subsequent measurement of investment property from cost model to fair value model starting 2020. The results of the measurements indicated that the fair value of the insurance liabilities did not exceed its book value, therefore, there was no need to increase the reserves for insurance liabilities.

4.26.4. Special reserve

The special reserve provided for retention business with a term within 1 year is divided into 3 categories, which are special catastrophe reserve, special contingency risk reserve and other special needs reserve. The methods for providing these reserves are as follows:

(1) Special catastrophe reserve

A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophe claim exceeding $30,000 thousand dollars, the excess amount is offset against special catastrophe reserve. For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection.

The above-mentioned new provision of special catastrophe reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

(2) Special contingency risk reserve

If the net amount of actual claim minus the related special catastrophe reserve is lower than the amount of expected claim, a special contingency risk reserve is provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

If the net amount of actual claim minus the related special catastrophe reserve is higher than the expected claim amount, the difference is debited to special contingency risk reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special contingency risk reserve is over 30% of premium earned of the year, the excess is treated under reclaim rule.

The above-mentioned balance for write down or reclaim, net of income tax, is offset against the special reserve for contingency risk of equity in accordance with IAS 12.The new provision of special reserve for contingency risk, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity rule.

In addition, the special contingency risk reserve after tax, which returned to the Company, should be recognized as special reserve with the shareholders' approval in the next annual meeting. The reserve cannot be used for other purpose without the authorization from the competent authorities.

(3) Any increase or write down in other special reserve arise from other needs required the approval from the authority.

In accordance with the provision of article 32 of " Regulations Governing the Provision of Various Reserve" , except the excess amount of fixed assets measured at fair value is offset against the adverse impacts of other reserves caused by first adoption of TIFRSs, the difference generated from the revaluation surplus of fixed assets is accounted for under special reserve of liability.

Additionally, commencing from January 1, 2013, the excess amount of the enhancement of liability reserve, calculated in accordance with FSC No. 10102515285 issued on November 27, 2012, could transfer to "liability reserve-Insurance contract liability measured at fair value" in accordance with FSC No. 10102515281 issued on November 30, 2012. For remaining outstanding reserve, it is accounted for under special reserve of stockholders' equity, either recognized by 80% of which at first year or recovered by 5 years with the restriction up to $10 billion dollars each year.

4.26.5. Premium deficiency reserve

For life insurance, health insurance, or annuities with an insurance term over one year, and polices issued after January I, 2001, a deficiency reserve is provided when the actual premium written is less than the premium on the policy reserve prescribed by the competent authority.

In addition, the Company shall evaluate expected future claims and expenses for in-force contracts with contract term less than one year and for accident insurance contracts with terms over one year, and if the amount exceeds unearned premium reserve and expected future premium income, a premium deficiency reserve should be provided for the difference.

4.26.6. Unqualified reinsurance reserve

If a reinsurance contract on the ceded date or balance sheet date is deemed unqualified ceded reinsurance under the " Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" , the Company utilizes " The Provision of Unqualified Reinsurance Reserve" to evaluate the effect of unqualified reinsurance in supervision reports, and the results are disclosed in its financial statements.

4.26.7. Liability adequacy reserve

Liability adequacy reserve is a reserve that is provided depending on the results of the liability adequacy test prescribed under IFRS 4 endorsed by the FSC.

4.27. Reserve for insurance contracts with financial instrument features

Reserves for the financial instruments that are not separate account and insurance products without discretionary participation features under general account are provided in accordance with the " Regulations Governing Insurance Enterprises for Setting Aside Various Reserves" and related regulations to set aside reserves.

4.28. Reserve for fluctuation of foreign exchange

Since March 1, 2012, the subsidiary MLI has provided a reserve for fluctuation of foreign exchange under liabilities for foreign investment assets (excluding non-unit-linked life insurance products denominated in foreign currencies) in accordance to the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves. Based on the regulations, the subsidiary MLI may reclassify a portion of special reserves to the reserve for fluctuation of foreign exchange as its beginning balance; however, the reclassified amount should not exceed 50% of the special catastrophe reserve and the special risk volatility reserves under liabilities based on the former ROC generally accepted accounting principles as of December 31, 2011.

In accordance with the Directions Concerning Provision of Life Insurance Reserve for Fluctuation of Foreign Exchange and other associated regulations, the cap on accumulated balance, the provision and reversal mechanism, and other compliance regulations of the reserve for fluctuation of foreign exchange are as follows:

4.28.1. The initial amount of reserves for fluctuation of foreign exchange shall be repaid to the special earnings reserves in three years since the start date. The provided amount in the first year shall not be less than one third of the initial amount after tax. The accumulated amount provided in the first two years shall not be less than two third of the initial amount

after tax. Because the special catastrophe reserve recorded under liability reserves should be provided as the initial amount of reserves for fluctuation of foreign exchange, the abovementioned provision of the special earning reserve should be taken account for the reduced recovery amount of the special catastrophe reserve while calculating based on the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves".

4.28.2. Limit of provision: the total amount of its foreign investment assets in the current month times the exposure ratio times fixed reserve ratio equals the provision. If any, the foreign exchange gain from the non-hedged foreign currency assets times extra reserve ratio equals the additional provision.

4.28.3. Limit of withdraw: If any, the foreign exchange loss from the non-hedged foreign currency assets times extra offset rate equals the reverse amount of this reserve. The balance of this reserve at the end of each month shall not be less than the "offering lower limit" (calculated as the average of the reserve balance in the prior years since 2012 plus an additional 20%).

4.28.4. Should the amount of this reserve decrease to the "offering lower limit" continuously for 3 months, this reserve shall be increased by 75%, and to be at least 3 times the "offsetting lower limit".

The monthly fixed reserve ratio, extra reserve ratio and extra offset ratio mentioned as above are as follows:

A. The fixed reserve ratio is 0.05%. The ratio will be 0.06% when comply with the following condition.

B. The extra reserve ratio and extra offset ratio are 50%. It will be 60% when comply with the following condition.

The condition mentioned above is only applicable when the average hedge cost is greater than or equal to 2%. The average hedge cost is calculated annually using the 1- year NTD/USD swap rate whose period begins in December of the previous year until November of the current year.

4.28.5. The upper limit of this reserve is considered as 9.5% of the total amount of its foreign investment assets at the end of each year.

4.28.6. The savings in costs from hedging due to this rule shall be provided as special earnings reserves each year. If the retained earnings are insufficient in the current year, the Company shall make up the insufficiency in the following year while it becomes sufficient.

4.28.7. If there are earnings after tax in the current year, 10% of the earnings amount should be provided as special earnings reserves. However, the Company may not provide such reserves if the regulatory authority approves. Besides, in accordance with Shou-Hui-Gui No. 1090201026, the calculation basis on set aside reserve should be based on the "amount of net profit after tax, plus, items other than net profit after tax for the current period included in the unappropriated earning for the year."

4.29. Provision

A provision is recognized if, as a result of a past event, the Company and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4.30. Treasury stock

The Company and its subsidiaries adopt cost method to repurchase outstanding shares as treasury shares. The cost of repurchasing treasury shares is specified in the financial statement as a deduction of shareholders' equity, and the price difference of treasury share transactions is listed under the section of shareholders' equity. When retiring treasury shares, it shall be credited as "treasury share", and debited as "share capital" and "capital reserve - stock premium" in proportion to the share percentage of retirement.

The Company's shares held by its subsidiary are recorded as treasury shares. The profits generated from the subsidiaries' disposal of the Company's shares and the revenue received from the Company's cash dividends are recorded in the "capital reserve - treasury share transaction".

4.31. Revenue

Revenue is measured by fair value of the consideration received or receivable deducting the estimated customer returns, discounts, and other related sales allowance.

4.31.1. Sales of goods

The Company and its subsidiaries recognize accounts receivable when the control to the goods or services is transferred and it is entitled to unconditionally claim the consideration. Such accounts receivable usually have a short period and have no major financial components. If the control to goods or services have been transferred to the customer but it is not yet entitled to unconditionally claim of consideration, the contract assets and revenue shall be recognized. If part of the consideration has been collected from the customer and the obligation to continue to provide the goods or services is still effective, the contract liabilities shall be recognized and transferred to revenue when the performance of obligations is completed.

4.31.2. System integration and maintenance revenue

The subsidiary MDS provides services related to the installation of specific software and modules. The service revenue is recognized when services are provided to customers. The revenue from fixed-price contracts shall be recognized based on the percentage of services actually provided to the total services to be provided as of the date of financial statement, and the completion percentage of services shall be determined based on the actual costs incurred to the estimated total costs. The customer shall pay the contract price according to the mutually-agreed payment schedule. When the value of service provided exceeds the customer's payable, it shall be recognized as the contract asset, and if the customer pays more than the value of service provided, it shall be recognized as the contract liability.

4.31.3. Premium income and acquisition costs

First-year and renewal premiums of insurance contract and financial instruments with discretionary participation features are respectively recognized as income when premiums are received and the policies are approved or due. Acquisition costs, including commissions and other costs related to acquiring new business, are recognized as expenses as incurred.

Premiums collected from the financial instruments without discretionary participation features under general account shall be recognized on the balance sheet as "reserve for insurance contract with financial feature." Acquisition costs related to acquiring new business are charged to "reserve for insurance contract with financial feature" as the insurance contracts become effective. Premiums collected from the financial instruments without discretionary participation features under separate account for unit-linked products shall be recognized as premium income to the extent of insurance component. The remaining, after being subtracted by other revenues, including up-front fee or investment management service fee income, shall be fully recognized as "separate account liabilities" on the balance sheet.

4.31.4. Accounting for service charge on investment-linked insurance contracts classified as financial products without discretionary participation features.

The service charges normally collected from the policyholder of insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products non-discretionary participation features, include contract administrative charge, investment administrative charge, rescinding charge and others. These charges are recognized as revenue upon collection. When the subsidiary MLI receives certain service charge which makes them obligated to provide future service (ex: front-end load), this service charge is initially treated as a deferred revenue and is recognized as revenue based on the proportion of the period of service provision, amortized by the straight line method. Besides, the amount of amortization is recognized under fee income.

In addition, the costs incurred by the policies of investment management services, including commission fees and incremental fees directly related to the issuance of the new contract, are subject to deferred approval and are provided under "deferred acquisition costs". And amortized by the proportion of the service rendered on the straight-line basis, with expense classified under "other operating costs".

4.31.5. Loyalty programmer

The customer loyalty program aims to provide customers with bonus points and grant them the right to purchase goods at discounted prices. The fair value of the consideration received or receivable for the original sale is jointly allocated to the bonus points and other components of such sale. The amount allocated to the bonus points shall be estimated based on the fair value of the right to purchase goods at discounted prices. The fair value shall be estimated based on the discounted amount and adjusted according to the proportion that is not expected to be redeemed. Such amounts shall be deferred first, and subsequently recognized as the revenue after the bonus points are actually redeemed and the discounted goods have been provided to fulfill the obligations. In this case, the amount of revenue recognized shall be calculated based on the proportion of actually redeemed quantity to the total expected redeemed quantity. In addition, when it is no longer expected that the bonus points are likely to be redeemed, the deferred revenue shall be transferred to revenue.

4.31.6. Dividend income and interest income

The dividend income is generated by investment and recognized when the shareholders' right to receive payment is established, provided that the economic profits related to the transaction have the potential to be acquired by Company and its subsidiaries, and the amount of income could be reliably measured.

The interest income is recognized on an accrual basis based on the duration of time for the applicable effective interest rate for the outstanding principal.

4.31.7. Profit or loss from investment property

The rental income arising from the investment property is recognized as a part of the total leasing income during the lease period, and the incentive for the lease is recognized as a decrease in the rental income by the straight-line method during the lease term.

4.32. Income tax

4.32.1. The tax expense for the period comprises both current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.

4.32.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4.32.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

4.32.4. Linked-tax system

The Company and its more than 90% owned subsidiaries adopt the linked-tax system for tax filings in accordance with MOF No.10500580850. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in the Company's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

4.33. Operating segments

Operating segments are reported in a manner consistent with the internal managements reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

4.34. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include convertible bonds and bonus paid to employee. However, the adverse dilutive share is not computed.

4.35. Changes in accounting policies

The Company and its subsidiaries change the accounting policy for subsequent measurement of investment property for cost model to fair value model starting from January 1, 2020. Board of directors has taken the view that the information provided under this model could best reflect the value and performance of the investment property. In addition, this model increases the net value of the Company and provides more relevant and reliable information about the Company's financial position, financial performance, and cash flows in the financial statements.

In accordance with IAS 8 "Accounting policy, Changes in accounting estimates and errors", the changes in accounting policy had been applied retrospectively. Results of the influenced amount are as follows:

(1)Balance sheets：

	December 31, 2019	January 1, 2019
Increase in investment property	$4,585,331	$5,004,086
Increase in deferred tax liabilities	725,167	766,646
Increase in retained earnings	2,543,313	2,586,568
Increase in non-controlling interests	1,316,851	1,650,872

(2)Statements of comprehensive incomes：

	For the year ended December 31, 2019
Increase in fair value adjustment of investment property	$(431,363)
Decrease in depreciation	12,608
Increase in income tax (expense) benefit	41,479
Increase in net profit (loss)	$(377,276)
Increase in net profit to shareholders of parent	$(43,255)
Increase in net profit to non-controlling interests	$(334,021)
Decrease in basic earnings per share	$(0.05)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

5.1 Revenue recognition

Sales revenues are recognized when the goods have transferred to customers and the performance obligation has been satisfied. Service revenues are recognized based on the degree of completion of services at the end of reporting period. The Company estimates discounts and returns based on historical experience and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

5.2 Financial instrument

5.2.1 Fair value

The Company and its subsidiaries held certain financial instruments without active markets, including financial instruments lacking of active market quotes and financial instruments that turned out to be inactive due to market conditions (ex: low market liquidity). When a market is inactive, it is usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgments.

If the market of an investment held by the Company and its subsidiaries is not active, the fair value of the instrument is determined with valuation techniques. When the fair value may be publicly obtained from independent sources, it shall be adopted. Overall, the Company and its subsidiaries would decide a source and/or a valuation technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the balance sheet date. Valuation techniques include adoption of recent arm's length transactions, reference to other instruments with substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

5.2.2 Impairment

Financial assets measured at amortized cost and financial assets measured at FVOCI are estimated for loss allowance at an amount equal to the 12-month expected credit losses since initial recognition, despite the existence of evidence of objective impairment. Should credit risk on a financial instrument increase significantly, or there exists evidence of objective impairment, recognized the expected credit losses of the duration then the loss allowance might be increased, and effected profit or loss.

5.3 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. The Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

5.4 Insurance liabilities

The subsidiary MLI measures insurance liabilities based on the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves.

A policy reserve for life insurance is provided using the lock-in interest ratios assumptions at issue instead of the current market rate.

Unearned premium reserve should be provided based on the unexpired risk. The methods adopted to provide the reserve shall be determined by the actuary in accordance with the characteristics of the types of insurance.

A claim reserve is estimated based on the loss development triangle method. The major assumptions are loss development factors and expected claim rates; this results in an estimate of ultimate claim costs. The loss development factors and expected loss ratios are based on the subsidiary MLI's historical claim experience.

For life insurance, health insurance, or annuities with an insurance term over one year, a deficiency reserve is provided when the actual premium written is less than the premium on the policy reserve prescribed by the competent authority. In addition, the Company shall evaluate expected future claims and expenses for in-force contracts with contract term less than one year and for accident insurance contracts with terms over one year, and if the amount exceeds unearned premium reserve and expected future premium income, a premium deficiency reserve should be provided for the difference.

A liability adequacy test is performed based on the Life-Insurance Sector Actuarial Practice Guidance of IFRS 4 Contracts Classification and Liability Adequacy Test issued by the Actuarial Institute of the Republic of China. The subsidiary MLI performs the liability adequacy test using estimates of future insurance benefits, premiums, and related fees, and other reasonable current estimates of future cash flows under its insurance contracts.

The professional judgment applied to the above mentioned liability evaluation process will affect the movement in the insurance reserve.

6 DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

	December 31,2020	December 31,2019
Cash and deposits in bank	$90,973,147	$54,105,965
Repurchase agreement	57,241,638	42,302,792
Total	$148,214,785	$96,408,757

6.1.1 The Company and its subsidiaries associate with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.1.2 The Company and its subsidiaries have no cash and cash equivalents pledged to others.

6.2 Financial assets at fair value through profit or loss-current

	December 31,2020	December 31,2019
Common stocks	$-	$101,120
Beneficiary certificates	30,312	334,350
Preferred stocks	-	228,474
Foreign beneficiary certificates	-	12,145
Total	$30,312	$676,089

6.3 Financial assets at fair value through other comprehensive income-current

	December 31,2020	December 31,2019
Common stocks	$110	$159,944

The Company and its subsidiaries identify that equity instruments are held within a business model whose main objective is to hold the securities for the long term, and recognized these instruments as financial assets measured at FVOCI. The fair value of investments amounted to $110 thousand and $159,944 thousand on December 31, 2020 and 2019.

6.4 Accounts receivable, net

	December 31,2020	December 31,2019
Notes receivable	$152,590	$189,660
Accounts receivable	1,088,322	1,024,347
Installment accounts receivable	2,461	7,331
Lease payment receivable within 1 year	28,061	21,987
Interest receivable	8,035,876	8,408,917
Other receivables—delinquent receivables	15,837	6,800
Other	1,575,133	1,212,513
Subtotal	$10,898,280	$10,871,555
Less: Allowance—notes receivable	(63)	(63)
Less: Allowance—accounts receivable	(5,737)	(7,834)
Less: Allowance—interest receivable	(573)	(8,345)
Less: Allowance—delinquent receivables	(15,559)	(6,496)
Total	$10,876,348	$10,848,817

The subsidiary MDS leases ATMs, passbook entry machines and related equipments under financial leases. According to the terms of the lease contract, the ownership of the assets shall be transferred to lessee after the expiry of the lease period. It is expected that all lease payments would be collected according to lease terms. In addition, SMR subleases office building and retail store with a sublease period covering the remaining period of the lease. Total lease receivables and net lease receivables of subsidiaries MDS and SMR are as follows:

	December 31,2020		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
Current			
1 year	$30,421	$(2,360)	$28,061
Non-current			
1~5 years	66,371	(3,954)	62,417
Total	$96,792	$(6,314)	$90,478

	December 31,2019		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
Current			
1 year	$23,778	$(1,791)	$21,987
Non-current			
1~5 years	62,399	(2,244)	60,155
Total	$86,177	$(4,035)	$82,142

6.5 Inventories

	December 31,2020	December 31,2019
Raw materials	$249,723	$186,531
Work in process	37,299	140,495
Finished goods	414,690	469,630
Inventory in transit	43,580	28,399
Merchandise inventories	4,107,746	4,041,762
Subtotal	$4,853,038	$4,866,826
Allowance for inventory valuation losses	(423,230)	(453,539)
Total	$4,429,808	$4,413,287

The gain on reversal of decline in market value is due to the sales and scraps of obsolete inventory.

6.6 Reinsurance contract assets

	December 31,2020	December 31,2019
Claims and payment recoverable from reinsurers	$523,061	$718,070
Intercompany reinsurance receivables	14,458	28,946
	$537,519	$747,016
Reinsurance reserve asset:		
Ceded unearned premium reserve	$300,992	$227,667
Ceded claims reserve	22,849	11,547
Subtotal	$323,841	$239,214
Total	$861,360	$986,230

6.7 Bills discounted and loans

	December 31,2020		
	Normal loan	Delinquent loan	Total
Policy loans	$28,793,717	$-	$28,793,717
Automatic premium loans	12,123,498	-	12,123,498
Secured loans	29,801,586	4,149	29,805,735
	$ 70,718,801	$4,149	$70,722,950
Less: Loss allowance	(444,973)	(2,067)	(447,040)
Total	$70,273,828	$2,082	$70,275,910

	December 31,2019		
	Normal loan	Delinquent loan	Total
Policy loans	$29,015,603	$-	$29,015,603
Automatic premium loans	12,301,829	-	12,301,829
Secured loans	30,404,595	-	30,404,595
	$71,722,027	$-	$71,722,027
Less: Loss allowance	(456,013)	-	(456,013)
Total	$71,266,014	$-	$71,266,014

As of December 31, 2020 and 2019, all receivables past due more than 6 months were transferred to overdue receivables.

The loss allowance recognized and eliminated for the years ended December 31, 2020 and 2019 are as follows:

	2020					
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss-credit loss	Loss allowance recognized on implementation of IFRS 9	Loss allowance based on "Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"	Total
Opening balance	$134	$114	$3,373	$3,621	$452,392	$456,013
—Reclassification to expected loss within duration of loans (non-credit loss)	-	-	-	-	-	-
—Reclassification to 12-month expected credit loss	113	(113)	-	-	-	-
—Derecognition of financial assets in the period	(14)	-	(513)	(527)	-	(527)
Loss allowance on net measurement	4	-	(783)	(779)	-	(779)
Addition of new financial assets	25	-	-	25	-	25
Loss allowance based on "Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises:"-movement in the current period	-	-	-	-	(7,891)	(7,891)
Foreign exchange and other differences	(112)	-	311	199	-	199
Closing balance	$150	$1	$2,388	$2,539	$444,501	$447,040

	2019					
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss-credit loss	Loss allowance recognized on implementation of IFRS 9	Loss allowance based on "Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises"	Total
Opening balance	$220	$23	$4,529	$ 4,772	$ 490,958	$495,730
—Reclassification to expected loss within duration of loans (non-credit loss)	(2)	2	-	-	-	-
—Reclassification to 12-month expected credit loss	18	(18)	-	-	-	-
—Derecognition of financial assets in the period	(17)	(4)	(1,341)	(1,362)	-	(1,362)
Loss allowance on net measurement	(77)	-	36	(41)	-	(41)
Addition of new financial assets	10	-	-	10	-	10
Loss allowance based on "Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises:"-movement in the current period	-	-	-	-	(38,566)	(38,566)
Foreign exchange and other differences	(18)	111	149	242	-	242
Closing balance	$134	$114	$3,373	$3,621	$452,392	$456,013

6.8 Financial assets at fair value through profit or loss – non-current

Item	December 31,2020	December 31,2019
1. Common stocks	$21,884,420	$28,062,950
2. Preferred stocks	3,026,809	5,485,248
3. Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	4,686,573	6,549,819
4. Financial bonds	7,584,256	9,703,612
5. Beneficiary certificates and others	25,987,470	12,175,961
6. Cross currency swaps contracts	566,673	52,114
7. Foreign stocks	8,842,580	9,038,357
8. Foreign depository receipts	252,303	669,696
9. Foreign bonds	2,905,382	10,011,354
10. Foreign beneficiary securities	11,134,989	15,303,806
Total	$86,871,455	$97,052,917

Gain or loss on valuation of financial assets recognized in the account of gain or loss on financial assets (liabilities) measured at FVTPL (included current and non-current) were losses amounted to $6,176,058 thousand and profits amounted to $18,381,583 thousand for the years ended December 31, 2020 and 2019, respectively.

The subsidiary MLI has applied IFRS 9 together with IFRS 4 “Insurance Contracts” in 2018 using the “overlay approach” to recognize the gains and losses. The financial assets eligible for the overlay approach in connection with the insurance contracts issued by the Company are as follows:

Item	December 31,2020	December 31,2019
1. Common stocks	$21,853,974	$28,062,950
2. Preferred stocks	2,671,915	5,374,448
3. Beneficiary certificates and others	25,570,405	12,175,961
4. Financial bonds	7,584,256	9,703,612
5. Foreign beneficiary securities	11,114,422	15,303,806
6. Foreign stocks	8,842,580	9,038,357
7. Foreign depository receipts	252,303	669,696
8. Foreign bonds	2,905,382	10,011,354
Total	$80,795,237	$90,340,184

For the years ended December 31, 2020 and 2019, the reclassification of profit or loss and other comprehensive income as a result of designating financial assets with the overlay method are as follows:

Item	2020	2019
Gains (losses) on adopting IFRS 9	$(532,293)	$16,490,796
Less: Gains if IAS 39 were adopted	2,516,189	6,200,055
Gains (losses) adjustment on adopting the overlay approach	$(3,048,482)	$10,290,741

Due to the adjustment on the overlay approach, the profit from $11,650,529 thousand to $14,699,011 thousand, and the loss from $15,214,215 thousand to $4,923,474 thousand, resulted in increase in profit, and a decrease in loss, in financial assets measured at FVTPL for the years ended December 31, 2020 and 2019, respectively.

In relation to financial assets which did not fulfil the conditions to adopt the overlay approach in the past, the subsidiary MLI has not designated these financial assets to adopt the overlay approach in the current year, although they fulfil the conditions for the years ended December 31, 2020 and 2019. Hence, there was no change in designation in the current year.

6.9 Financial assets at fair value through other comprehensive income- non-current

Item	December 31,2020	December 31,2019
Debt instruments		
1. Government bonds	$6,535,505	$9,135,871
2. Corporate bonds	14,525,285	8,429,369
3. Financial bonds	12,260,139	16,209,615
4. Foreign bonds	11,204,571	19,509,341
Less: statutory refundable deposits	-	(2,290,034)
Subtotal	$44,525,500	$50,994,162
Equity instruments		
1. Unquoted stocks	$1,167,703	$1,229,491
2. Foreign preferred stocks	-	457,519
3. Preferred stocks	36,674	62,193
Subtotal	$1,204,377	$1,749,203
Total	$45,729,877	$52,743,365

1. Debt instruments measured at FVOCI

A. The Company and its subsidiaries identify that debt instruments are held within a business model whose main objective is achieved both by collecting contractual cash flows and by selling securities, and recognized these instruments as financial assets measured at FVOCI.

B. The accumulated loss allowance for the year ended December 31, 2020 and 2019 derived from financial assets measured at FVOCI are as follows:

Item	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss - credit loss	Total
Balance as of January 1, 2020	$10,501	$-	$-	$10,501
Loss allowance on net measurement	(2,040)	-	-	(2,040)
Additions in the current period	3,163	-	-	3,163
Disposals in the current period	(4,490)	-	-	(4,490)
Foreign exchange and other differences	(81)	-	-	(81)
Balance as of December 31, 2020	$7,053	$-	$-	$7,053

Item	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss - credit loss	Total
Balance as of January 1, 2019	$8,211	$-	$-	$8,211
Loss allowance on net measurement	(1,068)	-	-	(1,068)
Additions in the current period	4,546	-	-	4,546
Disposals in the current period	(1,167)	-	-	(1,167)
Foreign exchange and other differences	(21)	-	-	(21)
Balance as of December 31, 2019	$10,501	$-	$-	$10,501

The accumulated impairment loss on interest receivable from financial assets measured at FVOCI on December 31, 2020 and 2019 were $38 thousand and $84 thousand, respectively.

As the carry amount of the financial assets measured at FVOCI is presented at fair value, the loss allowance described above has not been presented in the balance sheet.

2. Equity instruments measured at FVOCI

The Company and its subsidiaries identify that equity instruments are held within a business model whose main objective is to hold the securities for the long term, and recognized these instruments as financial assets held for sale and financial assets measured at FVOCI.

6.10 Financial assets at amortized cost- non-current

Item	December 31,2020	December 31,2019
1.Government bonds	$84,249,438	$48,964,032
2.Corporate bonds	52,848,891	39,113,659
3.Financial bonds	28,024,024	22,276,426
4.Beneficiary certificates	999,800	1,501,432
5.Foreign bonds	655,675,637	681,971,033
Less: Statutory refundable deposits	(4,774,480)	(2,531,371)
Total	$817,023,310	$791,295,211

The accumulated loss allowance for the years ended December 31, 2020 and 2019, derived from financial assets measured at amortized costs (including statutory refundable deposits) are as follows:

Item	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss - credit loss	Total
Balance as of January 1, 2020	$244,092	$282,942	$-	$527,034
Loss allowance on net measurement	(117,777)	15,018	-	(102,759)
Additions in the current period	24,965	-	-	24,965
Disposals in the current period	(56,986)	(282,942)	-	(339,928)
Foreign exchange and other differences	(11,474)	(15,018)	-	(26,492)
Balance as of December 31, 2020	$82,820	$-	$-	$82,820

Item	12-month expected credit loss	Lifetime expected credit loss–non-credit loss	Lifetime expected credit loss-credit loss	Total
Balance as of January 1, 2019	$231,655	$367,150	$-	$598,805
Loss allowance on net measurement	(6,918)	65,620	-	58,702
Additions in the current period	65,414	-	-	65,414
Disposals in the current period	(41,512)	(142,337)	-	(183,849)
Foreign exchange and other differences	(4,547)	(7,491)	-	(12,038)
Balance as of December 31, 2019	$244,092	$282,942	$-	$527,034

The accumulated impairment losses on interest receivable from financial assets measured at amortized cost on December 31, 2020 and 2019 were $536 thousand and $8,261 thousand, respectively, and the accumulated impairment losses on refundable deposits were $988 thousand and $705 thousand, respectively.

The current gains (losses) of financial assets measured at amortized costs and the derecognized carrying amount for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
Derecognized carrying amount	$59,238,112	$68,610,077
Recognized current gain	$9,053,523	$8,679,098

6.11 Investments accounted for under equity method

The financial statements of certain investee companies under investments accounted for under equity method in the consolidated financial statements were audited by other auditors whose reports thereon have been furnished to us. The amount of investments in the investee companies were $3,796,755 thousand and $3,858,498 thousand as of December 31, 2020 and 2019 and the recognized shares of profit of associates and join ventures accounted for under equity method of these investee companies were $307,523 thousand and $264,050 thousand for the years ended December 31, 2020 and 2019 respectively.

1. The investments accounts for under equity method on December 31, 2020 and 2019 are as follows:

	December 31,2020	December 31,2019
Associates	$3,800,369	$3,661,963
Joint ventures	-	200,616
Total	$3,800,369	$3,862,579

2. The shares of profit of associates and join ventures accounted for under equity method for the year ended December 31, 2020 and 2019 are as follows:

	2020	2019
Share of profit of associates and joint ventures accounted for under equity method	$307,050	$261,677

3. Associates

(1) Basic information of the associates that are material to the Company and its subsidiaries are as follows:

Company	Main business place	Percentage of ownership		Nature of relationship	Methods of measurement
		December 31,2020	December 31,2019		
Horizon Securities Co., Ltd. (“HS”)	TW	16.93%	16.12%	Significant influence	Equity method
Fuh Hwa Securities Investment Trust Co., Ltd. (“FHSIT”)	TW	39.99%	39.99%	Significant influence	Equity method

(2) The summarized financial information of the associates that are material to the Company are as follow:

Balance sheets	HS	
	December 31,2020	December 31,2019
Current Assets	$15,647,677	$10,283,908
Non-current Assets	1,211,158	1,256,463
Current Liabilities	12,617,814	7,550,336
Non-current Liabilities	81,655	90,367
Total net assets	$4,159,366	$3,899,668
Share in associate’s net assets	$703,901	$628,952
Carrying amount of the associate	$703,901	$628,952

Statements of comprehensive income	HS	
	2020	2019
Revenue	$1,329,949	$798,442
Profit (loss) from continuing operations	414,718	140,833
Other comprehensive income (loss)	(6,526)	(4,282)
Total comprehensive income	$408,192	$136,551
Share of profit (loss) of the associate	$69,971	$22,167

Balance sheets	FHSIT	
	December 31,2020	December 31,2019
Current Assets	$3,030,827	$2,507,785
Non-current Assets	998,912	1,095,469
Current Liabilities	1,642,373	1,331,710
Non-current Liabilities	176,616	227,197
Total net assets	$2,210,750	$2,044,347
Share in associate's net assets	$884,143	$817,594
Carrying amount of the associate	$1,573,899	$1,507,350

Statements of comprehensive income	FHSIT	
	2020	2019
Revenue	$3,264,703	$3,242,353
Profit (loss) from continuing operations	899,981	812,116
Other comprehensive income (loss)	(13,577)	(10,993)
Total comprehensive income	$886,404	$801,123
Share of profit (loss) of the associate	$359,960	$324,810

(3) HS has quoted market prices. Fair value of HS based on December 31, 2020 and 2019 are as follows：

	December 31,2020	December 31,2019
HS market price	$643,828	$390,215

(4) The Carrying amount of the Company's individually immaterial associates amounted to $1,522,568 thousand and $1,525,661 thousand on December 31, 2020 and 2019 respectively.

The Company's share of operating results of those immaterial associates are as follows:

	2020	2019
Profit (loss) from continuing operations	$19,713	$21,860
Other comprehensive income (loss)	(2,306)	(269)
Total comprehensive income	$17,407	$21,591
Share of profit (loss) of the associate	$4,375	$5,141

(5) The Company and its subsidiaries holds 39.99% of outstanding shares of FHSIT. The remaining shares are held by group of shareholder who are related parties and each hold more than 5% of shares. Base on previous experience, the Company still cannot obtain more than half of the total number of the directors. Therefore, it is determined that the Company only has significant influence of FHSIT.

4. Joint venture

The carrying amount of the Company's joint venture amounted to $0 thousand and $200,616 thousand on December 31, 2020 and 2019 respectively.

The Company's share of operating results of those joint ventures ars as follows:

	2020	2019
Profit (loss) from continuing operations	$(255,610)	$(180,881)
Other comprehensive income (loss)	-	-
Total comprehensive income	$(255,610)	$(180,881)
Share of profit (loss) of the joint venture	$(127,256)	$(90,441)

The Company held 50% of shares of Sanyou Drugstores Ltd.in 2019 and acquired additional 50% shares in cash of $62,200 thousand on December 22, 2022. Therefore, the Company obtained control over the subsidiary in 2020.

5. The investee HS has resolved by board of directors to repurchase and cancel its own shares in 2020 and 2019. The Company's share percentage increased to 16.93%.

6. The investee Nanjing Dingshang Digital Technology Ltd.(NDDT) has resolved by board of directors to increase capital by cash. MS Nanjing increased investment in NDDT amounted to RMB 840 thousand in March, 2019 and the share percentage increased to 42%.

6.12 Property, plant and equipment

	2020				
	Land	Buildings	Others	Prepayment	Total
2020.1.1					
Cost	$8,131,581	$6,088,803	$6,184,272	$190,936	$20,595,592
Accumulated depreciation and impairment	-	(1,668,993)	(4,052,801)	-	(5,721,794)
Total	$8,131,581	$4,419,810	$2,131,471	$190,936	$14,873,798
Additions	37,558	28,738	758,440	288,630	1,113,366
Disposals & Scraps	-	(76,044)	(291,669)	(47,209)	(414,922)
Depreciation	-	(153,261)	(771,315)	-	(924,576)
Impairment	-	-	(6,754)	-	(6,754)
Reclassification	559,116	48,847	35,195	(21,872)	621,286
Acquired in a combination	-	-	14,435	-	14,435
Net exchange differences	-	358	5	-	363
2020.12.31					
Cost	$8,728,255	$5,883,874	$5,620,858	$410,485	$20,643,472
Accumulated Depreciation and impairment	-	(1,615,426)	(3,751,050)	-	(5,366,476)
Total	$8,728,255	$4,268,448	1,869,808	$410,485	$15,276,996

	2019				
	Land	Buildings	Others	Prepayment	Total
2019.1.1					
Cost	$8,131,581	$6,023,554	$6,001,881	$156,676	$20,313,692
Accumulated depreciation and impairment	-	(1,531,225)	(3,791,444)	-	(5,322,669)
Total	$8,131,581	$4,492,329	$2,210,437	$156,676	$14,991,023
Additions	-	57,168	697,624	65,845	820,637
Disposals & Scraps	-	-	(22,163)	-	(22,163)
Depreciation	-	(148,774)	(759,809)	-	(908,583)
Reclassification	-	25,453	5,508	(31,585)	(624)
Net exchange differences	-	(6,366)	(126)	-	(6,492)
2019.12.31					
Cost	$8,131,581	$6,088,803	$6,184,272	$190,936	$20,595,592
Accumulated Depreciation and impairment	-	(1,668,993)	(4,052,801)	-	(5,721,794)
Total	$8,131,581	$4,419,810	$2,131,471	$190,936	$14,873,798

(1) The subsidiary SCI has purchased land for the construction of its factory in Taoyuan Luzhu that was auctioned by the court at a price of 211,184 thousand. The amount had been paid in full, and the transfer procedures have been completed. The title deed of certain portion of the land, measuring 2,259 square meters, was given to Mr. Weichyun Wong due to certain legal requirements. However, both parties agreed that the subsidiary SCI is the actual owner of the land.

(2) There is no item of property, plant and equipment impaired for the years 2020 and 2019.

(3) As of December 31, 2020, the property, plant and equipment pledged as collateral, please refer to Note 8 pledged assets.

6.13 LEASE ARRANGEMENTS

The Company and its subsidiaries lease various assets including building and transportation equipment. Rental contracts are typically made from 1 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes. The carrying amount of right-of-use assets and the depreciation charge are as follow:

1. Right-of-use assets

	December 31,2020	December 31,2019
Carrying amount		
Buildings	$3,897,992	$3,484,116
Transportation equipment	43,873	32,420
Other equipment	39,779	42,117
Total	$3,981,644	$3,558,653

	2020	2019
Right-of-use assets additions	$1,953,433	$1,088,830

	2020	2019
Depreciation charge		
Buildings	$1,288,299	$1,266,243
Transportation equipment	24,305	29,479
Other equipment	15,739	6,077
Total	$1,328,343	$1,301,799

2. Lease liabilities

The Company and its subsidiaries lease liabilities on December 31, 2020 and 2019 are as follows:

	December 31,2020	December 31,2019
Lease liabilities - current	$1,319,334	$1,096,167
Lease liabilities - non-current	$2,863,486	$2,545,195

The information on profit and loss accounts relating to lease contracts are as follows:

	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$41,378	$40,938
Variable lease payments not included in the measurement of lease liabilities	$5,049	$3,858
Expense on short-term lease contracts	$73,331	$131,960
Expense on leases of low-value assets	$18,361	$5,121

6.14 Investment property

	2020		
	Land	Buildings	Total
Balance on January 1, 2020	$22,466,811	$5,128,851	$27,595,662
Reclassification	(559,117)	(46,717)	(605,834)
Follow-up cost	-	9,865	9,865
Gain (loss) on fair value adjustment of investment property	494,258	(243,583)	250,675
Balance on December 31, 2020	$22,401,952	$4,848,416	$27,250,368

	2019		
	Land	Buildings	Total
Balance on January 1, 2019	$25,421,435	$5,779,416	$31,200,851
Gain (loss) on fair value adjustment of investment property	(8,788)	56,880	48,092
Disposals	(2,945,836)	(707,445)	(3,653,281)
Balance on December 31, 2019	$22,466,811	$5,128,851	$27,595,662

1. As of December 31, 2020 and 2019 and January 1, 2019, fair value information are as follow:

Source of FV	December 31,2020	December 31,2019	January 1,2019
External appraisal	$27,250,368	$27,595,662	$31,200,851

2. The main contents of investment property for each companies are as follow:

(1)The Company

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on "Regulations on Real Estate Appraisal" with the valuation dates on December 31, 2020 and 2019, and January 1, 2019.

Name of appraisers firm	December 31,2020	December 31,2019	January 1,2019
Panasia Real Estate Appraisers Joint Firm	Yang, Min-An	Chung, Shao-Yu	Cheng, Wei-Yuan, Chung, Shao-Yu

Fair value of investment property is based on valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of market liquidity and easy access to comparable sales and rental information in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach, direct capitalization method and discount cash flow method of the income approach. Undeveloped lands are appraised mainly using the comparison approach, land development analysis approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31,2020	December 31,2019	January 1,2019
Expected future cash inflows	$4,160,955	$3,895,272	$3,848,237
Expected future cash outflows	(154,908)	(143,439)	(142,956)
Net cash inflows	$4,006,047	$3,751,833	$3,705,281

Rent information in the neighboring areas are as follows:

	December 31,2020	December 31,2019	January 1,2019
Contract rent (square meter/month/dollar)	$259~$1,680	$259~$1,680	$259~$1,680
Market rent (square meter/month/dollar)	$300~$1,640	$298~$1,620	$295~$1,622

Main parameters	December 31,2020	December 31,2019	January 1,2019
Income capitalization rate	2.09%~4.24%	1.97%~4.10%	1.88%~4.10%
Discount rate	2.15%~3.70%	2.20%~3.85%	2.20%~3.85%

Fair value of undeveloped lands are measured by land development analysis. Increase in estimated total sale price, increase in rate of return, or decrease in overall capital interest rate would result in increase in the fair value. Significant assumptions used are as follows:

	December 31,2020	December 31,2019
Estimated total sale price	$23,403	$23,114
Rate of return	15%	15%
Overall capital interest rate	0.99%	1.10%

The rate of returns are determined by reference to the annual profit rate and construction period of the similar product. Overall capitalization rate referred to interest rate of bank loan, demand deposit and 1 year time deposit and also considered the proportion of equity funds and borrowed funds.

(2)The subsidiary MLI

The fair value of investment property was based on valuation by a qualified independent appraiser who performed the appraisal based on "Regulations on Real Estate Appraisal" with the valuation dates on December 31, 2020 and 2019 and January 1, 2019.

Name of appraisers firm	December 31,2020	December 31,2019	January 1,2019
Panasia Real Estate Appraiser Firm		Chung, Shao-Yu, Yang, Min-An	Chung, Shao-Yu, Cheng, Wei-Yuan
Jin Han Real Estate Appraisers Joint Firm		Hung, Chi-Hsiang, Wu, Yu-Chun, Chen, Yi-Chun	
Affluence Real Estate Appraisers Joint Firm	Chen, Pi-Yuan, Qiu, Yi-Zhong		Chen, Pi-Yuan
REPro International Appraisals	Wu, Hong-Hsu, Tsai, Yu-Hsiang, Hsu, Hsiang-Yi		

The fair value of investment property is based on a valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of the market liquidity and easier access to comparable sales and rental cases in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach as a primary method as well as cost approach, direct capitalization method and discount cash flow method of the income approach. Factories are appraised by comparison approach, capitalization method of the income approach, and cost approach.

The inputs applied are as follows:

	December 31,2020	December 31,2019	January 1,2019
Income capitalization rate	about 1.27%~4.45%	about 1.51%~3.42%	about 1.24%~3.30%
Discount rate	-	about 1.92%~3.45%	about 2.20%~2.60%

Professional valuation agencies use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the income capitalization discount rate.

The investment properties held by the subsidiary MLI are subsequently measured using fair value model, and categorized into Level 3. When the mail inputs, discount rate and income capitalization rate, has increased, the fair value decrease, and vice versa.

(3)The subsidiary MFB

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on "Regulations on Real Estate Appraisal" with the valuation dates on December 31, 2020 and 2019, and January 1, 2019.

Name of appraisers firm	December 31,2020	December 31,2019	January 1,2019
Panasia Real Estate Appraisers Joint Firm	Yang, Min-An	Chung, Shao-Yu	Cheng, Wei-Yuan, Chung, Shao-Yu

Fair value of investment property is based on valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of market liquidity and easy access to comparable sales and rental information in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach, direct capitalization method and discount cash flow method of the income approach. Undeveloped lands are appraised mainly using the comparison approach, land development analysis approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31,2020	December 31,2019	January 1,2019
Expected future cash inflows	$20,712	$20,299	$20,298
Expected future cash outflows	(249)	(257)	(255)
Net cash inflows	$20,463	$20,042	$20,043

Main parameters	December 31,2020	December 31,2019	January 1,2019
Income capitalization rate	2.25%	2.30%	2.30%
Discount Rate	2.15%	2.20%	2.20%

Fair value of undeveloped lands are measured by land development analysis. Increase in estimated total sale price, increase in rate of return, or decrease in overall capital interest rate would result in increase in the fair value. Significant assumptions used are as follows:

	December 31,2020	December 31,2019	January 1,2019
Estimated total sale price	$99,014	$94,646	$94,646
Rate of return	14%	14%	14%
Overall capital interest rate	1.21%	1.33%	1.33%

The rate of returns are determined by reference to the annual profit rate and construction period of the similar product. Overall capitalization rate referred to interest rate of bank loan, demand deposit and 1 year time deposit and also considered the proportion of equity funds and borrowed funds.

(4)The subsidiary ML

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on "Regulations on Real Estate Appraisal" with the valuation dates on December 31, 2020 and 2019, and January 1, 2019.

Name of appraisers firm	December 31,2020	December 31,2019	January 1,2019
Panasia Real Estate Appraisers Joint Firm	Yang, Min-An	Chung, Shao-Yu	Cheng, Wei-Yuan, Chung, Shao-Yu

The fair value of investment property is based on a valuation by a professional evaluation agency and supported by market evidence. Undeveloped lands are appraised mainly using the comparison approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, management fee, and amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31,2020	December 31,2019	January 1,2019
Expected future cash inflows	$1,270,405	$1,253,338	$1,253,338
Expected future cash outflows	(26,869)	(26,937)	(26,722)
Net cash inflows	$1,243,536	$1,226,401	$1,226,616

Main parameters	December 31,2020	December 31,2019	January 1,2019
Income capitalization rate	2.95%	3.00%	3.00%
Discount Rate	2.85%	2.90%	2.90%

3. Investment property is a commercial real estate leased to others, for more information please refer Note 6.24.

4. The land in Yangmei can not be registered under the Company's name for limited usage in agricultural and forestry only. Therefore it is registered under Mr. Wang Zhihua and a trust contract had been signed for protection.

5. The land held by the subsidiary ML includes agricultural land worth $242,369 thousand, in which a trust contract had been signed and other relevant rights having the Company as the creditor had been established for the assurance purpose.

6. Lands appraisal according legal present value had been performed on December 31, 1987. Total land value increased NTD 17,407 thousand and after net of land value increment tax of NTD 8,153 thousand net value increment of NTD 8,796 thousand was transferred to retained surplus on January 1, 2012 as IFRS adoption.

7. Land (lot number 210-212, located at Subsection 1 of Linyi Section in Taipei City) amounted to NTD 133,123 thousand was partially expropriated by Bureau of Taipei MRT in September 2002. Remaining land of NTD 17,005 thousand had been transferred to investment property.

6.15 Other non-current assets

	December 31,2020	December 31,2019
Refundable deposits	$6,463,039	$6,879,725
Long-term receivable	62,417	60,155
Separate account assets for unit-linked products	115,616,466	96,566,362
Others	320,175	326,974
Total	$122,462,097	$103,833,216

The subsidiary MLI's separate account for unit-linked products are as follows:

	December 31,2020		
	Separate accounts—insurance contracts and financial instruments with discretionary participation features	Separate accounts—financial instruments without discretionary participation features	Total
Separate account assets for unit-linked products:			
Financial assets at FVTPL	$64,389,261	$45,969,284	$110,358,545
Bank deposits	2,993,631	1,307,559	4,301,190
Other receivables	956,731	-	956,731
	$68,339,623	$47,276,843	$115,616,466
Separate account liabilities for unit-linked products:			
Separate account value reserve	$64,676,637	$47,276,843	$111,953,480
Other payables	3,662,986	-	3,662,986
	$68,339,623	$47,276,843	$115,616,466

	December 31,2019		
	Separate accounts— insurance contracts and financial instruments with discretionary participation features	Separate accounts— financial instruments without discretionary participation features	Total
Separate account assets for unit-linked products:			
Financial assets at FVTPL	$61,188,957	$33,122,159	$94,311,116
Bank deposits	236,224	1,170,718	1,406,942
Other receivables	848,304	-	848,304
	$62,273,485	$34,292,877	96,566,362
Separate account liabilities for unit-linked products:			
Separate account value reserve	$61,672,616	$34,292,877	$95,965,493
Other payables	600,869	-	600,869
	$62,273,485	$34,292,877	$96,566,362

The related revenues and expenses of separate accounts— insurance contracts and financial instruments with discretionary participation features are as follows:

	2020	2019
Separate account for unit-linked products revenues:		
Premium income	$8,867,422	$12,188,325
Gain (Loss) on valuation of financial liability at FVTPL	744,991	4,436,268
Gain on disposal of financial liability at FVTPL	(306,843)	452,652
Gain (loss) on exchange	327,387	(229,471)
Interest revenue	508,398	465,862
Total	$10,141,355	$17,313,636

	2020	2019
Separate account for unit-linked products expenses:		
Insurance benefits	$79,823	$103,084
Early termination charge	5,412,716	5,652,001
Separate account value reserve net change	3,159,630	10,153,228
Management fee	1,489,186	1,405,323
Total	$10,141,355	$17,313,636

As a result of selling investment-linked products, the subsidiary MLI received sales rebates from counterparties amounting to $788,224 thousand and $625,006 thousand for the years ended December 31, 2020 and 2019, respectively, which were recorded under fee income.

6.16 Short-term borrowings

	December 31,2020	December 31,2019
Unsecured loans	$665,000	$1,287,000
Interest rate	0.95%~1.24%	1.04%~1.2%

The details of assets pledged as collateral, please refer to Note 8 Pledged Assets.

6.17 Short-term notes and bills payable

	December 31,2020	December 31,2019
Commercial paper	1,249,824	$914,786
Interest rate	0.92%~1.10%	0.97%~1.15%

6.18 Accounts payable

	December 31,2020	December 31,2019
Notes payable	$15,218	$12,392
Accounts payable	2,272,015	2,234,854
Other payable	3,702,782	2,561,958
Equipment expense payable	114,375	74,705
Accrued Expenses	1,795,763	2,148,522
Other payable-others	195,550	205,345
Total	$8,095,703	$7,237,776

6.19 Financial liabilities at fair value through profit or loss – non-current

Item	December 31,2020	December 31,2019
1. Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$1,979,207	$251,177
2. Index futures	108	-
Total	$1,979,315	$251,177

6.20 Bonds payable

	December 31,2020	December 31,2019
Total of issuance of bonds	$7,500,000	$7,500,000

1. The subsidiary MLI issued the first perpetual cumulative subordinated corporate bond in accordance with FSCIB No.10302131650 and FSC No.1030048645 on December 29, 2014. The term sheet for the bond was set as follows:

Issue Amount	NT$5,000,000 thousand
Issue date	December 29, 2014
Principal Amount and Issue Price	The issued bond sells at the par value of 1,000 thousand.
Coupon rate	Fixed rate of 3.9% from the date of issuance to December 29, 2024, plus 1% if the subsidiary MLI does not redeem the bond in 10 years from the date of issuance.
Maturity period	No maturity date
Payment of interest	Interest is payable annually upon coupon rate, beginning on the issue date.
Redemption	The corporate bond has no maturity date. After ten years of issuance, if the subsidiary MLI's risk based capital ratio after redemption, upon calculation, is more than twice the required minimum risk based capital ratio at the time of calculation, with the consent of the competent authority, the bond may be redeemed earlier at face value plus accrued interest. The bond can be redeemed once quarterly.
Form of bond	No physical certificate issued.

2. The subsidiary MLI issued the first perpetual cumulative subordinated corporate bond in accordance with FSCIB No. 10502121190 and OTC No. 10500315231 on November 24, 2016. The term sheet for the bond was set as follows:

Issue Amount	NT$2,500,000 thousand
Issue date	November 24, 2016
Principal Amount and Issue Price	The issued bond sells at the par value of 1,000 thousand.
Coupon rate	Fixed rate of 3.7% from the date of issuance to November 24, 2026, plus 1% if the subsidiary MLI does not redeem the bond in 10 years from the date of issuance.
Maturity period	No maturity date.
Payment of interest	Interest is payable annually upon coupon rate, beginning on the issue date.
Redemption	The corporate bonds has no maturity date. After ten years of issuance, if the subsidiary MLI's risk based capital ratio after redemption, upon calculation, is more than twice the required minimum risk based capital ratio at the time of calculation, with the consent of the competent authority, the bond may be redeemed earlier at face value plus accrued interest. The bond can be redeemed once quarterly.
Form of bond	No physical certificate issued.

6.21 Long-term borrowings

1. The details are listed below:

Bank	Borrowing period and term	December 31,2020	December 31,2019
O-Bank and 13 banks guarantee syndicated loan	2017/12/01-2022/12/01 issuing commercial paper	$1,440,000	$1,440,000
O-Bank and 13 banks guarantee syndicated loan	2017/12/01-2022/12/01 applying credit loan	600,000	200,000

Bank	Borrowing period and term	December 31,2020	December 31,2019
Hua Nan Bank	2020/11/13-2023/11/13 issuing commercial paper	300,000	300,000
Yuanta Bank	2020/12/11-2022/12/11 applying credit loan	400,000	600,000
Bank SinoPac	2020/08/31-2022/08/31 applying credit loan	200,000	200,000
E.SUN Bank	2020/06/22-2022/06/22 applying credit loan	300,000	300,000
Shin Kong Bank	2020/11/04-2022/11/04 applying credit loan	300,000	300,000
First Bank	2020/02/07-2022/02/07 applying credit loan	911,500	1,300,000
JihSun Bank	2020/06/16-2022/06/16 applying credit loan	450,000	450,000
East Asia Bank	2020/05/29-2022/05/29 applying credit loan	200,000	200,000
Taipei Fubon Bank	2020/01/12-2022/01/12 applying credit loan	500,000	500,000
Taiwan Business Bank	2020/09/28-2022/09/28 applying credit loan	250,000	250,000
Taishin International Bank and 11 banks guarantee syndicated loan	2019/12/29-2024-12-29 issuing commercial paper	1,920,000	1,920,000
Land Bank	2020/01/14-2022/01/14 applying credit loan	200,000	-
Entie Bank	2019/02/26-2021-02-26 issuing commercial paper	-	100,000
Far Eastern Bank	2019/03/18-2021/03/18 applying credit loan	-	50,000
Cathay United Bank	2020/12/22-2023/12/22 applying credit loan	100,000	-
Taichung Bank	2020/12/16-2023/12/16 applying credit loan	200,000	-

Bank	Borrowing period and term	December 31,2020	December 31,2019
JihSun Bank	2020/06/16-2022/06/16 applying credit loan	35,000	100,000
Bank SinoPac	2020/08/31-2022/08/31 applying credit loan	100,000	-
JihSun Bank	2019/09/27-2022/09/27 applying credit loan	-	20,000
E.Sun Bank	2020/10/20-2022/10/20 applying credit loan	100,000	-
Less: Current portion of Long-term borrowing		-	-
Total		$8,506,500	$8,230,000
Interest rate range		0.92%~1.79%	1.01%~1.79%

2. Guarantee syndicated bank loans were obtained to fulfill the Company's mid-term working capital and to improve the financial structure. According to loan agreements, the Company shall maintain its current ratio, tangible net worth and interest coverage ratio during the loan periods.

3. Certain long-term borrowings were to satisfy the demands of the Company's mid-term working capital and to improve the financial structure. According to loan agreements, the Company shall maintain its debt ratio, net asset and interest coverage ratio during the loan periods.

4. Assets pledged as collateral please refer to Note 8 for details.

6.22 Provision – non-current

	December 31,2020	December 31,2019
Insurance liabilities (Note 6.23)	$1,159,482,645	$1,102,824,010
Provision for decommissioning, restoration and rehabilitation costs	14,260	14,354
Provision for long-term liabilities of legal procedures	35,262	41,714
Other provisions	700	2,237
Total	$1,159,532,867	$1,102,882,315

Provision for long-term liabilities of legal procedures please refer to Note 9 significant contingent liabilities and unrecognized contact commitments.

6.23 Insurance liabilities

	December 31,2020	December 31,2019
Unearned premium reserve	$4,247,678	$3,906,386
Claims reserve	1,704,749	1,605,545
Policy reserve	1,150,842,673	1,093,288,721
Special reserve	820,017	795,526
Premium deficiency reserve	1,616,884	1,974,611
Reserves for fluctuation of foreign exchange	250,644	1,253,221
Subtotal	$1,159,482,645	$1,102,824,010
Less:Ceded unearned premium reserve	$300,992	$227,667
Ceded claims reserve	22,849	11,547
Subtotal	$323,841	$239,214
Net	$1,159,158,804	$1,102,584,796

1. The reserves of the subsidiary MLI's insurance contracts and financial instruments containing discretionary participation features and the reconciliation schedules are as follows:

(1) Unearned premium reserve

The details of the subsidiary MLI's unearned premium reserve are as follows:

	December 31,2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	$2,627	$-	$2,627
Personal accident insurance	1,709,237	-	1,709,237
Personal health insurance	2,291,968	-	2,291,968
Group insurance	193,541	-	193,541
Investment-linked insurance	50,305	-	50,305
Total	$4,247,678	$-	$4,247,678

	December 31,2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Less: Ceded unearned premium reserve			
Personal life insurance	$75,708	$-	$75,708
Personal accident insurance	19,391	-	19,391
Personal health insurance	199,421	-	199,421
Group insurance	6,472	-	6,472
Total	$300,992	$-	$300,992
Net	$3,946,686	$-	$3,946,686

	December 31,2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	$2,546	$-	$2,546
Personal accident insurance	1,529,845	-	1,529,845
Personal health insurance	2,105,063	-	2,105,063
Group insurance	219,107	-	219,107
Investment-linked insurance	49,825	-	49,825
Total	$3,906,386	$-	$3,906,386
Less: Ceded unearned premium reserve			
Personal life insurance	$66,160	$-	$66,160
Personal accident insurance	19,853	-	19,853
Personal health insurance	134,007	-	134,007
Group insurance	7,647	-	7,647
Total	$227,667	$-	$227,667
Net	$3,678,719	$-	$3,678,719

(2) The reconciliations of changes in unearned premium reserve previously described are as follows:

	2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January l , 2020	$3,906,386	$-	$3,906,386
Provision	4,809,211	-	4,809,211
Reversal of provision	(4,467,903)	-	(4,467,903)
Gain or loss on exchange	(16)	-	(16)
Balance as of December 31, 2020	$4,247,678	$-	$4,247,678
Less: Ceded unearned premium reserve:			
Net balance as of January 1, 2020	$227,667	$-	$227,667
Increase	301,108	-	301,108
Decrease	(227,607)	-	(227,607)
Gain or loss on exchange	(176)	-	(176)
Net balance as of December 31, 2020	$300,992	$-	$300,992
Balance as of December 31, 2020	$3,946,686	$-	$3,946,686

	2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January l , 2019	$3,599,657	$-	$3,599,657
Provision	4,425,987	-	4,425,987
Reversal of provision	(4,119,252)	-	(4,119,252)
Gain or loss on exchange	(6)	-	(6)
Balance as of December 31, 2019	$3,906,386	$-	$3,906,386
Less: Ceded unearned premium reserve:			
Net balance as of January 1, 2019	$167,407	$-	$167,407
Increase	227,759	-	227,759
Decrease	(167,427)	-	(167,427)
Gain or loss on exchange	(72)	-	(72)
Net balance as of December 31, 2019	$227,667	$-	$227,667
Balance as of December 31, 2019	$3,678,719	$-	$3,678,719

2. Claims reserve

(1) The details of the subsidiary MLI's claims reserve are as follows:

	December 31,2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance			
-reported and unpaid	$62,312	$-	$62,312
Personal accident insurance			
-reported and unpaid	48,255	-	48,255
-unreported and unpaid	369,344	-	369,344
Personal health insurance			
-reported and unpaid	252,420	-	252,420
-unreported and unpaid	698,610	-	698,610
Group insurance			
-reported and unpaid	38,565	-	38,565
-unreported and unpaid	220,217	-	220,217
Investment-linked insurance			
-reported and unpaid	15,026	-	15,026
Total	$1,704,749	$-	$1,704,749
Less: Ceded claims reserve			
Personal life insurance	$3,642	$-	$3,642
Personal health insurance	19,207	-	19,207
Total	$22,849	$-	$22,849
Net	$1,681,900	$-	$1,681,900

	December 31,2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance			
-reported and unpaid	$50,552	$-	$50,552
Personal accident insurance			
-reported and unpaid	45,601	-	45,601
-unreported and unpaid	383,254	-	383,254
Personal health insurance			
-reported and unpaid	167,597	-	167,597
-unreported and unpaid	674,194	-	674,194
Group insurance			
-reported and unpaid	52,753	-	52,753
-unreported and unpaid	208,422	-	208,422
Investment-linked insurance			
-reported and unpaid	23,172	-	23,172
Total	$1,605,545	$-	$1,605,545
Less: Ceded claims reserve			
Personal life insurance	$125	$-	$125
Personal accident insurance	499	-	499
Personal health insurance	8,928	-	8,928
Group insurance	1,995	-	1,995
Total	$11,547	$-	$11,547
Net	$1,593,998	$-	$1,593,998

(2) The reconciliations of changes in claims reserve and ceded claim reserve previously described are as follows:

	2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2020	$1,605,545	$-	$1,605,545
Provision	1,703,639	-	1,703,639
Reversal of provision	(1,603,984)	-	(1,603,984)
Gain or loss on exchange	(451)	-	(451)
Balance as of December 31, 2020	$1,704,749	$-	$1,704,749
Less: Ceded claims reserve:			
Net balance as of January I, 2020	$11,547	$-	$11,547
Increase	22,878	-	22,878
Decrease	(11,547)		(11,547)
Gain or loss on exchange	(29)	-	(29)
Net balance as of December 31, 2020	22,849	-	22,849
Balance as of December 31, 2020	$1,681,900	$-	$1,681,900

	2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2019	$1,368,401	$-	$1,368,401
Provision	1,600,866	-	1,600,866
Reversal of provision	(1,363,625)	-	(1,363,625)
Gain or loss on exchange	(97)	-	(97)
Balance as of December 31, 2019	$1,605,545	$-	$1,605,545
Less: Ceded claims reserve:			
Net balance as of January I, 2019	$6,858	$-	$6,858
Increase	11,561	-	11,561
Decrease	(6,864)		(6,864)
Gain or loss on exchange	(8)	-	(8)
Net balance as of December 31, 2019	11,547	-	11,547
Balance as of December 31, 2019	$1,593,998	$-	$1,593,998

3. Policy reserve

(1) The details of the subsidiary MLI's policy reserve are as follows:

	December 31,2020			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal life insurance	$859,370,211	$-	$-	$859,370,211
Personal health insurance	267,362,391	-	-	267,362,391
Annuities insurance	187,029	22,094,110	-	22,281,139
Investment-linked insurance	902,860	-	-	902,860
Reversal of accident	10,008	-	-	10,008
Reserve for operating loss	-	-	677,110	677,110
Amount payable to insurance holders	-	-	238,954	238,954
Total	$1,127,832,499	$22,094,110	$916,064	$1,150,842,673

	December 31,2019			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal life insurance	$827,598,337	$-	$-	$827,598,337
Personal health insurance	238,729,590	-	-	238,729,590
Annuities insurance	175,501	25,153,348	-	25,328,849
Investment-linked insurance	735,960	-	-	735,960
Reversal of accident	10,008	-	-	10,008
Reserve for operating loss	-	-	677,110	677,110
Amount payable to insurance holders	-	-	208,867	208,867
Total	$1,067,249,396	$25,153,348	$885,977	$1,093,288,721

The other reserve for operating loss are the subsidiary MLI in accordance with MOF No.0920750506 to decrease business tax by 3% and not reverse the allowance of receivables.

Amount payable to insurance holders are recognized in reserves in accordance with FSCIB No. 10704548180.

(2) The reconciliations of changes in policy reserve previously described are as follows:

	2020			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January l, 2020	$1,067,249,396	$25,153,348	$885,977	$1,093,288,721
Provision	122,024,736	(421,635)	30,088	121,633,189
Reversal of provision	(48,879,710)	(2,344,774)	-	(51,224,484)
Gain or loss on exchange	(12,561,924)	(292,829)	-	(12,854,753)
Balance as of December 31, 2020	$1,127,832,498	$22,094,110	$916,065	$1,150,842,673

	2019			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January l, 2019	$984,089,191	$32,253,853	$824,898	$1,017,167,942
Provision	135,159,954	(2,712,993)	61,079	132,508,040
Reversal of provision	(47,174,734)	(4,267,680)	-	(51,442,414)
Gain or loss on exchange	(4,825,015)	(119,832)	-	(4,944,847)
Balance as of December 31, 2019	$1,067,249,396	$25,153,348	$885,977	$1,093,288,721

4. Special reserve

(1) The details of the subsidiary MLI's special reserve are as follows:

	December 31,2020			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal accident insurance	$80,410	$-	$-	$80,410
Personal health insurance	591,434	-	-	591,434
Gain on appreciation of real estate	-	-	148,173	148,173
Total	$671,844	$-	$148,173	$820,017

	December 31,2019			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal accident insurance	$79,531	$-	$-	$79,531
Personal health insurance	567,822	-	-	567,822
Gain on appreciation of real estate	-	-	148,173	148,173
Total	$647,353	$-	$148,173	$795,526

The subsidiary MLI shall approve the special reserve for short-term products with low-dollar claims in according with MOF No. 831496851.

In addition, according to Article 32 of "Regulations Governing Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance of the Person", the fair value of the real estate has increased, the increase will be used to offset the adverse impact due to the initial application of IFRS, the remaining amount will be added to special debt provision. Based on FSCIB No. 10102515281 issued on November 30, 2012 and approved by the competent authority in 2013, the recovery of gain on appreciation of real estate special reserve does not include the surplus per share.

(2) The reconciliations of changes in special reserve previously described are as follows:

	2020			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January l, 2020	$647,353	$-	$148,173	$795,526
Provision	24,491	-	-	24,491
Balance as of December 31, 2020	$671,844	$-	$148,173	$820,017

	2019			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January l, 2019	$592,623	$-	$148,173	$740,796
Provision	54,730	-	-	54,730
Balance as of December 31, 2019	$647,353	$-	$148,173	$795,526

5. Premium deficiency reserve

(1)The details of the subsidiary MLI's premium deficiency reserve are as follows:

	December 31,2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	$1,470,070	$-	$1,470,070
Personal health insurance	57,185	-	57,185
Group insurance	89,629	-	89,629
Total	$1,616,884	$-	$1,616,884

	December 31,2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	$1,918,961	$-	$1,918,961
Personal health insurance	24,983	-	24,983
Group insurance	30,667	-	30,667
Total	$1,974,611	$-	$1,974,611

(2)The reconciliations of changes in premium deficiency reserve previously described are as follows:

	2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January l, 2020	$1,974,611	$-	$1,974,611
Provision	(303,133)	-	(303,133)
Reversal of provision	(29,619)	-	(29,619)
Gain or loss on exchange	(24,975)	-	(24,975)
Balance as of December 31, 2020	$1,616,884	$-	$1,616,884

	2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January I, 2019	$2,928,348	$-	$2,928,348
Provision	(905,906)	-	(905,906)
Reversal of provision	(40,131)	-	(40,131)
Gain or loss on exchange	(7,700)	-	(7,700)
Balance as of December 31, 2019	$1,974,611	$-	$1,974,611

6. Liability adequacy reserve

The subsidiary MLI tested the following liability adequacy in accordance with the IFRS 4 on December 31, 2020 and 2019 are as follows:

(1)The type of products using total premium evaluation method, the details of their liability adequacy reserve are as follows:

Insurance contracts and financial instruments containing discretionary participation features	December 31,2020	December 31,2019
Policy reserve	$1,149,916,601	$1,092,392,736
Unearned premium reserve	4,042,069	3,674,062
Premium deficiency reserve	1,527,255	1,943,944
Other provisions of the law or voluntary increase for the strengthening of financial reserves	1,358,962	1,334,471
Carrying amount of insurance liability	$1,156,844,887	$1,099,345,213
Estimated future cash flows amount	$950,876,896	$832,500,428
Balance of liability adequacy reserve	$-	$-

The carrying amount of insurance liabilities is adequate compared with the amount using current estimates of future cash flows under insurance contracts on December 31, 2020 and 2019. As a result, the subsidiary MLI does not have to set aside the liability adequacy reserve.

(2)The type of products using expected cost method, the details of their liability adequacy reserve are as follows:

Insurance contracts and financial instruments containing discretionary participation features	December 31,2020	December 31,2019
Unearned premium reserve	$205,609	$232,324
Premium deficiency reserve	89,629	30,667
Carrying amount of insurance liability	$295,238	$262,991
Expected premium income in the future	$340,760	$354,443
Expected claims and expenses in the future	$535,324	$457,297
Balance of liability adequacy reserve	$-	$-

The carrying amount of insurance liabilities and expected premium income in the future is adequate compared with the expected claims and expenses of future under insurance contracts on December 31, 2020 and 2019. As a result, the subsidiary MLI does not have to set aside the liability adequacy reserve.

The subsidiary MLI does the following liability adequacy tests:

Method	The following two types of products are the test bases: (1)For Long Term Life Insurance, Universal Life Insurance, Investment Insurance (General account with value-added benefits), Long Term Health Insurance, Long Term Accident Insurance, Immediate Annuity Insurance and Interest-Sensitive Annuity Insurance / Variable Annuity Insurance Annuitization Policy, Interest-Sensitive Insurance, and One-Year Accident Insurance and Health Insurance attached to the long-term insurance, use the “total premium evaluation method”. (2)For Personal Life Insurance less than one year, Personal Accident Insurance, Travel Accident Insurance and Group Insurance (excluding Group Interest-Sensitive Annuity Insurance), use the “expected cost method”.
Population	All valid contracts as a whole

Description of Important Assumptions	The subsidiary MLI adopts the assumption basis from the Appointed Actuary report to establish the actuarial assumptions for this test. Discount rate: Referring to the subsidiary MLI overall portfolio investment yields rate under the best estimate scenario (adopt the unbiased hypothesis in 30 year later) stated in the Actuarial Standard of Practice in the Life Insurance Industry. Starting from 2012, the date of filing for financial report has been advanced to the end of March, the deadline for annual Appointed Actuary report is also adjusted accordingly. The application in practice is as follows: The discount rate of the liability adequacy test of the first quarter should be the same as that of the Appointed Actuary report in March. As for the related assumptions of the discount rate from the second to fourth quarter in the same year, they will be based according to the calculation used on the discount rate in the first quarter. When considering current information, the principle of consistency should be applied to the reevaluation of discount rate assumptions. Other key actuary assumptions: Other key actuary assumptions are set by the principle of actuarial assumption of reserve adequacy stated in the Actuarial Standard of Practice in the Life Insurance Industry.

7. Reserves for fluctuation of foreign exchange

(1)According to the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves," the subsidiary MLI has provided a reserve for fluctuation of foreign exchange under liabilities for foreign investment assets (excluding non-investment-linked life insurance products denominated in foreign currencies). The accumulated balance on December 31, 2020 and 2019 were $250,644 thousand and $1,253,221 thousand, respectively. The details of the reserve for fluctuation of foreign exchange of the Company are as follows:

	2020	2019
Beginning balance	$1,253,221	$1,860,689
Addition:		
General provision	$732,050	$1,004,866
Additional provision	874,250	2,033,035
Subtotal	$1,606,300	$3,037,901
Recovery	(2,608,877)	(3,645,369)
Total	$250,644	$1,253,221

The above-mentioned beginning balance, in accordance with the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves, was reclassified from special catastrophe reserve of liabilities under the former ROC generally accepted accounting principles as of December 31, 2011, within the maximum limitation. For the special catastrophe reserve reclassified to reserve for fluctuation of foreign exchange as its beginning balance, the subsidiary MLI should provide the same amount as special earnings reserve within three years after the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves are implemented. In addition, the subsidiary MLI should provide both the decrease in hedge cost due to the adoption of the reserve for fluctuation of the foreign exchange mechanism, and 10% of current-year net income as special earnings reserve every year.

(2) The effect on income, liabilities, and equity under the circumstance of not providing a reserve for fluctuation of foreign exchange is as follows:

Item	Amount without the adoption of reserve for fluctuation of foreign exchange	Amount with the adoption of reserve for fluctuation of foreign exchange	Effect
December 31,2020			
Reserve for fluctuation of foreign exchange	$-	$250,644	$250,644
Equity	$42,312,304	$42,111,789	$(200,515)
December 31,2019			
Reserve for fluctuation of foreign exchange	$-	$1,253,221	$1,253,221
Equity	$43,628,327	$42,625,750	$(1,002,577)

Item	Amount without the adoption of reserve for fluctuation of foreign exchange	Amount with the adoption of reserve for fluctuation of foreign exchange	Effect
2020			
Net income	$642,477	$1,444,538	$802,061
Earnings per share (after tax)	$0.27	$0.61	$0.34
2019(Restated)			
Net income	$4,525,537	$5,011,512	$485,975
Earnings per share (after tax)	$1.91	$2.11	$0.20

(3) Hedge policy and risk exposure under reserve for fluctuation of foreign exchange mechanism

According to "Risk Management Best-Practice Principles for Insurance Enterprises (FSC Enterprise Risk Management Framework)" the subsidiary MLI set up a system of managing and hedging foreign exchange risk, including the control system of the foreign exchange exposure ratio, the calculation basis of the foreign exchange exposure ratio, the scope of the foreign exchange exposure and its relevant hedging instruments and strategies. The hedging strategy of the subsidiary MLI mainly relied on USD hedge supplemented by AUD and NZD hedge, and the hedging instruments include foreign exchange forwards, foreign exchange swaps and cross currency swaps.

6.24 Operating lease

1. Lessor

The Company and its subsidiaries acts as a lessor to rent investment properties under operating lease. For related information, please refers to note 6.14 for more details.

Maturity analysis of lease payments for undiscounted lease payments to be received after the reporting date are as follows:

	December 31,2020	December 31,2019
Under 1 year	$612,098	$556,081
1~ 2 years	482,262	477,221
2~3 years	417,517	415,240
3~4 years	152,977	359,709
4~5 years	88,784	110,906
Over 5 years	314,048	89,385
Total	$2,067,686	$2,008,542

6.25 Pensions

1. Since July 1, 2005, the Company and its subsidiaries have defined contribution pension plans set up according to the ROC Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of $416,609 thousand and $420,387 thousand are recognized for the years ended December 31, 2020 and 2019, respectively.

2. The Company and its subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. For employees who are applicable to mandatory retirement, an additional 20% of increment amount shall be added based on the aforesaid rules if the mental insanity or physical disability is caused by the performance of duties. The Company and its subsidiaries contribute an amount equal to 2% of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. Pension cost of $44,914 thousand and $56,412 thousand are recognized for the years 2020 and 2019, respectively.

3. The pension information of the Company and its subsidiaries are as follows:

(1)The amounts recognized in the balance sheet are as follows:

	December 31,2020	December 31,2019
Present value of defined benefit obligations	$2,452,743	$2,459,782
Fair value of plan assets	(1,383,678)	(1,205,894)
Recognized liabilities for defined benefit obligations	$1,069,065	$1,253,888

(2)Movements in present value of the defined benefit are as follows:

	2020	2019
Defined benefit obligation on January 1	$2,459,782	$2,513,648
Current service costs	50,679	60,026
Interest cost	2,733	3,736
Actuarial gains and losses arising from financial assumption adjustment	109,229	113,338
Actuarial gains and losses arising from experience assumption adjustment	51,421	94,017
Actuarial gains and losses arising from demographic assumption adjustment	6,765	(9,567)
Benefits paid by the plan	(229,878)	(317,520)
Remeasurements of defined benefit liability (asset)	2,012	2,104
Defined benefit obligation on December 31	$2,452,743	$2,459,782

(3)Movements in defined benefit plan assets are as follows:

	2020	2019
Fair value of plan assets on January 1	$1,205,894	$787,892
Interest income on plan assets	8,498	7,351
The return on plan assets	51,170	91,214
Contributions made	340,292	634,723
Benefits paid by the plan	(224,318)	(317,520)
Remeasurements of defined benefit liability (asset)	2,142	2,234
Fair value of plan assets on December 31	$1,383,678	$1,205,894

(4)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

The expected return of the overall plan assets is estimated based on the historical trends, the forecast of the overall period return of the obligations, and the usage of the Labor Pension Fund by the LPF Supervisory Committee under the assumption that the minimum return shall not be less than the income by local banks' two-year time deposit.

(5)The principal actuarial assumptions used are as follows:

	December 31,2020	December 31,2019
Discount rate	0.20%~0.70%	0.55%~0.80%
Future salary increases rate	0.60%~2.00%	0.60%~2.00%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

(6)Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%~0.5%	Decrease 0.25%~0.5%	Increase 0.25%~0.5%	Decrease 0.25%~0.5%
December 31,2020				
Effect on present value of defined benefit obligation	$(142,411)	$153,060	$154,037	$(141,833)
December 31,2019				
Effect on present value of defined benefit obligation	$(128,863)	$162,452	$160,697	$(128,828)

The sensitivity analysis above is based on the analysis for single assumption change effects while other assumptions remain constant. In practice, many changes in assumptions are related. Sensitivity analysis method is in accordance with the method for calculating net defined benefit liability on balance sheet.

(7) Expected contributions to the defined benefit pension plan of the Company and its subsidiaries for the year ending December 31, 2020 amount to $532,076 thousand.

6.26 Premiums income

	2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Premium written	$109,617,529	$5,821	$109,623,350
Less: Reinsurance expense	$2,337,240	$-	$2,337,240
Net change in unearned premium reserves	267,807	-	267,807
Subtotal	$2,605,047	$-	$2,605,047
Retained premium	$107,012,482	$5,821	$107,018,303

	2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Premium written	$122,365,618	$197,634	$122,563,252
Less: Reinsurance expense	$1,807,764	$-	$1,807,764
Net change in unearned premium reserves	246,403	-	246,403
Subtotal	$2,054,167	$-	$2,054,167
Retained premium	$120,311,451	$197,634	$120,509,085

6.27 Insurance claims and benefits

	2020		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Insurance claims	$64,808,111	$97,124	$64,902,235
Less: Claims recoverable from reinsurers	1,993,973	-	1,993,973
Insurance claims and benefits	$62,814,138	$97,124	$62,911,262

	2019		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Insurance claims	$63,997,608	$72,555	$64,070,163
Less: Claims recoverable from reinsurers	1,439,311	-	1,439,311
Insurance claims and benefits	$62,558,297	$72,555	$62,630,852

6.28 Share Capital

	December 31,2020	December 31,2019
Authorized share capital	$12,000,000	$9,000,000
Capital stock issued	$9,093,510	$8,266,827

1. As of December 31, 2020, the Company's common stock was 9,093,510 thousand and outstanding common shares was 909,351 thousand shares with par value of $10 (in dollars) per share.

2. On June 18, 2020, the stockholders' meeting of the Company approved a capital increase by issuing 82,668 thousand new shares from retained earnings of NT$826,683 thousand. The aforementioned capital increase process has been completed.

6.29 Capital surplus

1. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit, to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

2. Capital surplus on December 31, 2020 and 2019 are as follows:

	December 31,2020	December 31,2019
Treasury stock transactions	$288,582	$241,175
Changes in shareholding - subsidiaries and associates accounted for under equity method	1,143,724	1,072,540
Difference between the proceeds and carrying amount for the acquisition or disposal of subsidiaries	545,327	545,327
Restricted stock	1,368	1,368
Merger premium	53,124	53,124
Total	$2,032,125	$1,913,534

6.30 Retained earnings

1. Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

2. Special reserve

(1) In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

(2)The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC NO. 1010012865 regulations on April 6, 2012 shall be reversed proportionately when the relevant assets are used, disposed or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

(3)On the initial application of fair value model to investment properties, the Company appropriated for a special reserve on initial application of IFRSs in accordance with FSC No. 1030006415 issued on March 18, 2014 at the amount that were the same as the net increase arising from fair value measurement and transferred to retained earnings. Additional special reserve should be appropriated for subsequent net increase in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment property.

(4) The special reserves on December 31, 2020 and 2019 are as follows:

	December 31,2020	December 31,2019
Securities Exchange Act requirement	$1,210,783	$4,173,434
IFRSs first adoption	61,004	61,004
Changes in share interests of investee	252,989	252,989
Fair value adjustment of investment property	2,543,314	-
Total	$4,068,090	$4,487,427

3. Distribution of retained earnings

According to the Company's articles of incorporation, annual earnings after income tax shall be first used to offset previous deficit, set aside 10% of the remaining amount as legal reserve and set aside or reverse a special reserve according to relevant regulations. Any remaining balance shall be allocated according to the resolution of shareholders' meeting.

The Company's dividend policy considers the development plan, investment environment, working capital needs, competition and shareholder's interest. Cash dividends shall be at least 10% of the total distribution

Information about the earning appropriations proposed by the Board of Directors and/or resolved by the stockholders for the year 2020, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Information about the earning appropriations proposed by the Board of Directors and resolved by the stockholders for the year 2019, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Information relate to employees bonuses and directors remuneration, please refer to Note 6.20.

6.31 Treasury stocks

Treasury stock increased 4,776 thousand shares in 2020 due to the distribution of stock dividends of the Company. Details of the Company's shares held by the subsidiaries are as follows:

Subsidiary name	December 31,2020			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	43,985	$20.70	$910,489	$448,367
MGM	2,914	20.70	60,312	26,264
MH	5,629	20.70	116,517	58,041
Total	52,528		$1,087,318	$532,672

Subsidiary name	December 31,2019			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	39,986	$21.65	$865,704	$448,367
MGM	2,649	21.65	57,345	26,264
MH	5,117	21.65	110,786	58,041
Total	47,752		$1,033,835	$532,672

6.32 Other equity

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Other comprehensive income (loss) on reclassification under the overlay approach	Unearned employee benefit	Total
January 1,2020	$(16,180)	$79,948	$(1,810,452)	$6,643	$(1,740,041)
The Company	2,422	(64,049)	-	-	(61,627)
Subsidiaries and Associates	(2,501)	83,811	(1,366,655)	-	(1,285,345)
December 31,2020	$(16,259)	$99,710	$(3,177,107)	$6,643	$(3,087,013)

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Other comprehensive income (loss) on reclassification under the overlay approach	Unearned employee benefit	Total
January 1,2019	$(7,492)	$305,418	$(6,008,211)	$6,643	$(5,703,642)
The Company	581	(68,799)	-	-	(68,218)
Subsidiaries and Associates	(9,269)	(156,671)	4,197,759	-	4,031,819
December 31,2019	$(16,180)	$79,948	$(1,810,452)	$6,643	$(1,740,041)

6.33 Non-controlling interests

	2020	2019(Restated)
Opening balance	$27,138,468	$19,608,126
Non-controlling interests:		
Net income	1,124,799	3,103,140
Unrealized gain (loss) on financial assets at FVOCI	38,537	(112,195)
Other comprehensive income (loss) on reclassification under the overlay approach	(1,708,999)	5,044,016
Exchange differences arising on translation of foreign operations	(13,391)	(6,007)
Defined benefit plan	55,607	(102,196)
Non-controlling interests (decrease) increase	550,218	(396,416)
Closing balance	$27,185,239	$27,138,468

6.34 Employee benefit

Item	2020	2019
Employee benefit		
Wages and salaries	$10,670,942	$11,348,186
Labor and health insurance	912,150	904,844
Pension	461,523	476,799
Director's remuneration	67,005	82,780
Other employee benefit	340,731	334,396
Depreciation and amortization(Restated)	2,441,367	2,386,732

For the year of 2020 and 2019, the Company and its subsidiaries had 17,301 and 17,145 employees which included 23 and 23 directors, respectively.

1. According to Company's Articles of Incorporation, it shall allocate no less than 1% of annual profit as bonuses to employees, and no more than 1% of annual profit as remuneration to directors, respectively, pursuant to the resolution of the boards of directors. However, the accumulated deficits should be covered first.

2. For the year ended December 31, 2020 and 2019, the employee bonus and directors remuneration were accrued at $23,900 thousands and $50,500 thousands. These amounts were recognized as salary expenses. Employees' bonuses and director's remuneration for 2019 had been approved by the shareholders meeting with no difference to the accrued amount in the financial statements ended December 31, 2019.

3. The information about employee's bonuses and director's remuneration of the Company will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.35 Income tax (expenses) benefits

1. Income tax expense

	2020	2019(Restated)
Current income tax expense	$1,003,697	$435,142
Additional tax on unappropriated earnings	78,731	-
Basic tax	-	139,167
Income tax adjustment on prior years	(118,958)	(700)
Total current income tax expense	$963,470	$573,609
Deferred income tax		
Origination and reversal of temporary differences	(313,963)	(363,746)
Income tax expense	$649,507	$209,863

2. The Company's income tax expenses (benefits) recognized in other comprehensive profit and loss are as follows:

	2020	2019
Items that will not be reclassified to profit:		
Unrealized gain (loss) from equity instruments measured at FVOCI	$(451)	$2,538
Actuarial gains (losses) on defined benefit obligations	2,962	14,347
Subtotal	$2,511	$16,885
Items that will be reclassified to profit:		
Unrealized gain (loss) from debt instruments measured at FVOCI	$34,558	$(32,917)
Other comprehensive income on reclassification under the overlay approach	27,172	1,048,966
Subtotal	$61,730	$1,016,049
Total	$64,241	$1,032,934

3. Deferred tax assets or liabilities as a result of temporary difference are as follows:

	2020	2019
Current tax benefits		
Derecognition of equity instruments measured at FVOCI	$(3,517)	$(35,141)
Deferred tax expenses		
Derecognition of equity instruments measured at FVOCI	3,517	$35,141
Income tax on disposal of equity instruments	$-	$-

4. Reconciliation between income tax expense and accounting profit

	2020	2019(Restated)
Tax calculated based on profit before tax at statutory tax rate	$946,592	$1,990,217
Effects from items disallowed by tax regulations	(549,336)	(1,720,029)
Effect from loss carryforwards	21	(53)
Origination and reversal of deferred tax assets	211,721	(184,123)
Income tax adjustments on prior years	(43,185)	(10,740)
Additional tax on unappropriated earnings	78,731	-
Basic tax	-	139,167
Others	4,963	(4,576)
Income tax expenses	$649,507	$209,863

5. Deferred tax assets or liabilities as a result of temporary difference are as follows:

	2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
Inventory valuation losses	$81,965	$(9,326)	$-	$-	$72,639
Loss carryforwards	1,704,498	(1,704,498)	-	-	-
Financial assets (liabilities) at fair value through profit or loss	(1,270,151)	615,343	-	-	(654,808)
Investment property	(744,161)	(17,021)	-	-	(761,182)
Unrealized exchange losses	3,223,574	1,472,280	-	-	4,695,854
Others	97,419	(42,815)	(2,962)	-	51,642
Financial assets (liabilities) at fair value through other comprehensive income	390,839	-	(61,279)	(3,517)	326,043
Total	$3,483,983	$313,963	$(64,241)	$(3,517)	$3,730,188
Presented on balance sheet					
Deferred tax assets	$5,573,047				$5,381,989
Deferred tax liabilities	(2,089,064)				(1,651,801)
	$3,483,983				$3,730,188

	2019(Restated)				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
Inventory valuation losses	$81,562	$403	$-	$-	$81,965
Loss carryforwards	1,921,627	(217,129)	-	-	1,704,498
Financial assets (liabilities) at fair value through profit or loss	157,344	(1,427,495)	-	-	(1,270,151)
Investment property	(817,265)	73,104	-	-	(744,161)
Unrealized exchange losses	1,185,812	2,037,762	-	-	3,223,574
Others	214,665	(102,899)	(14,347)	-	97,419
Financial assets (liabilities) at fair value through other comprehensive income	1,444,567	-	(1,018,587)	(35,141)	390,839
Total	$4,188,312	$363,746	$(1,032,934)	$(35,141)	$3,483,983
Presented on balance sheet					
Deferred tax assets	$5,007,673				$5,573,047
Deferred tax liabilities	(819,361)				(2,089,064)
	$4,188,312				$3,483,983

6.Unappropriated retained earnings:

	December 31,2020	December 31,2019(Restated)	January 1,2019(Restated)
Earnings generated in and after 1998	$5,590,916	$6,065,675	$6,793,204

7.Income tax returns of the Company and its subsidiaries have been assess and approved by the Tax Authority are as follows:

For the year ended December 31,2017：MLI, SD

For the year ended December 31,2018：MAH and Other subsidiaries

For the year ended December 31,2019：MGM, MI, MIA, M.T.I., HT, MISI, SMP

6.36 Earnings per share

2020	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit	$1,397,680		
Basic earnings per share			
Profit attributable to common shareholders of the parent company	$1,397,680	857,203	$1.63
Assumed conversion of all dilutive potential common shares			
Employees bonuses		1,238	
Diluted earnings per share			
Current profit attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$1,397,680	858,441	$1.63

2019(Restated)	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit	$3,451,578		
Basic earnings per share			
Profit attributable to common shareholders of the parent company	$3,451,578	857,203	$4.03
Assumed conversion of all dilutive potential common shares			
Employees bonuses		1,710	
Diluted earnings per share			
Current profit attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$3,451,578	858,913	$4.02

Potential shares from compensation to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employee by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholder' meeting in the following year, and thus the shares of employee bonus resolved will be included in the basic EPS.

The weighted average number of ordinary shares outstanding is calculated as follows:

	2020	2019
At January 1	826,683	826,683
Retained earnings converted into common stock 2020	82,668	82,668
Shares held by the subsidiaries	(52,148)	(52,148)
Total	857,203	857,203

The pro forma net income and earnings per share if accounting for treasure stock had not been adopted are as follows:

	2020	2019(Restated)
Profit attributable to common shareholders of the parent company	$1,445,087	$3,475,282
Weighted average number of ordinary shares outstanding	909,351	909,351
Basic earnings per share (in dollar)		
Net profit from continuing operations	$1.59	$3.82

The information of treasury stocks hold by subsidiaries, please refer to note 6.16.

7 RELATED-PARTY TRANSACTIONS

Intercompany balances and transactions betwee the Company and its subsidiaries have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Company and other related parties:

7.1 Names and relationship with related parties

Names of related parties	Relationship with the Company
Sanyou Drugstores, Ltd.(Note)	Joint venture
Horizon Securities Co., Ltd.	Associate
Horizon Securities Investment Consultant Co., Ltd	Associate
Fuh Hwa Securities Investment Trust Co., Ltd.	Associate
CMG International Two Co., Ltd.	Associate
Inshokutenhanjoukai Co., Ltd.	Associate
Mercuries & Associates, Ltd. Employee welfare committee	Associate
Mercuries F&B Co., Ltd. Employee welfare committee	Associate
Mercuries Life Insurance Employee welfare committee	Associate
Foundation of Chinese Dietary Culture	Associate
Taiwan Slow Pitch Softball Association	Associate
Criminal Investigation and Prevention Association, R.O.C.	Associate
Police Academics Foundation	Associate
The Third Special Police Corps, National Police Agency, Ministry of the Interior	Associate
Taiwan Tee Ball Association	Associate
Taiwan Master Golf Foundation	Associate
Key management personnel	The Company's chairman, directors (including independent directors), general manager, deputy general manager and department head of the Company.
Other related person	The spouses, the second immediate family of the chairman and general manager of the subsidiaries. The spouses of the directors (including independent directors) and the managerial officer of the subsidiaries.

Note : SD has been restructured from a joint venture to a subsidiary on December 22, 2020.

7.2 Significant transaction with related party

7.2.1 Sales

	2020	2019
Associate	$1,547	$4,336
Joint Venture	6,595	222
Total	$8,142	$4,558

The above sales terms were decided on market condition and collection period were 2-3 months.

7.2.2 Premium income

	2020	2019
Associate	$6,713	$6,721
Joint Venture	468	595
Key management personnel of the Company and other related person	13,673	22,537
Total	$20,854	$29,853

The above premium rates are measured in accordance with the relevant provisions of the insurance law, and there is no difference with the general terms of the transaction.

7.2.3 Other income

	2020	2019
Associate	$22,629	$22,437
Joint Venture	10,263	9,329
Total	$32,892	$31,766

7.2.4 Service revenue

	2020	2019
Joint Venture	$3,189	$3,594

7.2.5 Other expenses

	2020	2019
Associate	$91,388	$110,822
Joint Venture	178	-
Total	$91,566	$110,822

7.2.6 Outsourcing of investment management service

The subsidiary MLI appoints its associates as its fund manager of its investment portfolios. The management expenses charged by associates during each period are as follows:

	2020	2019
Associate	$6,884	$11,858

7.2.7 Property transactions

The subsidiary MLI held funds issued by associates are as follows:

	December 31, 2020	December 31, 2019
Funds	$133,350	$140,100

7.2.8 Accounts receivable- related parties

	December 31, 2020	December 31, 2019
Associate	$10	$12
Joint Venture	-	4,183
Total	$10	$4,195

7.2.9 Accounts payable- related parties

	December 31, 2020	December 31, 2019
Associate	$2,025	$2,069
Joint Venture	-	154
Total	$2,025	$2,223

7.2.10 Guarantee deposits received

	December 31, 2020	December 31, 2019
Associate	$139	$-
Joint Venture	-	$780
Total	$139	$780

7.2.11 Secured loan

The details of real estate mortgage and movable property mortgage for key management personnel and other related person of December 31, 2019 and 2020 are as follows:

	December 31, 2020	December 31, 2019
Real estate mortgage and movable property mortgage	$104,933	$172,416
Interest receivable	$36	$82

	2020	2019
Interest revenue	$1,581	$2,682
Interest rate range	1.00%~1.78%	1.25%~2.57%

7.2.12 Financings provided

	December 31, 2019			
	Maximum amount	Ending balance	Interest rate range	Total interest
Financing by the Company to joint venture	$250,000	$-	2%	$3,384

7.2.13 Key management compensation

	2020	2019
Salaries and other short-term employee benefit	$422,688	$376,396

8 PLEDGED ASSETS

Assets provided by the Company for business purposes are as follows:

Assets	Book Value December 31, 2020	Book Value December 31, 2019	Purpose of pledge
Reserved deposits and time deposits	$169,850	$175,139	As a guarantee for bid bonds, performance bonds, sales performance and loans limit
MLI common stock	$3,220,710	$3,411,263	As a guarantee for credit line
Land and buildings	46,906	47,578	As a guarantee for credit line
Government bonds	4,774,480	4,821,405	As a guarantee for operating bonds and index futures
Total	$8,211,946	$8,455,385	

In accordance with the insurance law and related regulations, the subsidiary MLI paid the deposit of operating bonds and index futures transactions with government bonds, then deposit them in the central bank and the Taiwan Futures Exchange, respectively. As of December 31, 2020 and 2019, the par value of the deposits were $4,800,000 thousand .

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

	December 31,2020	December 31,2019
Promissory notes for borrowing from financial institutions.	$15,546,116	$10,913,116
Unused letters of credit for purchase goods.	177,362	$138,134
Performance bonds issued by the financial institutions.	$579,715	$522,541

9.1 MLI has 11 significant lawsuits related to the insurance business. The total amount of claim is $23,821 thousand. The Company has assessed the appropriate amount of the compensation reserve, and these lawsuits are currently in court.

9.2 Lawsuits against the subsidiary MLI concerning its operating activities is still in progress. The Company has assessed the appropriated amount of its liability reserve based on its evaluation. As of December 31, 2020, the restricted bank deposit with regards to one of its lawsuits amounted to US 37 thousands.

9.3 Investment contracts signed by the subsidiary MLI, with the amounts not yet invested in the Commitment of US$521 thousand and NT$521,809 thousand for the year ended December 31, 2020; as well as US$3,372 thousand and NT$782,434 thousand for the year ended December 31, 2019.

9.4 Significant outstanding purchase commitments for property, plant and equipment on December 31, 2020 and 2019 were $49,382 thousand and $43,481 thousand, respectively.

9.5 MDS had been in dispute with Acion Technologies Inc. ("Acion") due to the procurement contract for the surveillance systems leasing case with Civil Affairs Bureau of Kaohsiung. Acion sued MDS and claimed that MDS should pay the contract project bill and additional work bill, $39,823 thousand in total. MDS counterclaimed that the unpaid projects are under dispute and requested penalty of damages in the form of unfulfilling debt to offset the unpaid bills. On October 28, 2009, MDS was defeated in the first instance and has to pay Acion $2,230 thousand; MDS appealed to Taiwan High Court and on July 20, 2010, the court ruled to dismiss the appeal and MDS has to pay Acion additional $6,043 thousand (including the warranty deposit, which should be paid back by MDS when the warranty period expired). On December 24 2020, Taiwan Supreme Court reversed the case to Taiwan High Court (first retrial), and on July 4, 2012, the court judged that MDS shall pay extra $17,100 thousand to Acion except the original amount $2,230 thousand. The case was re-appealed to Taiwan Supreme Court and the court considered the judgement is obviously ambiguous that the delay of the completion is not attributable to Acion. Thus, on June 6, 2013, the Taiwan Supreme Court reversed the case to Taiwan High Court for second retrial. On June 18, 2019, in the second retrial, Taiwan High Court ruled that MDS shall pay Acion $8,362 thousand in addition to the payable $2,230 thousand ruled in the first instance. Both parties have appealed during the period allowing to take an appeal.

10 SIGNIFICANT DISASTER LOSS

SCI had a fire accident occurred on December 20, 2020, and caused damage to some buildings, equipment, construction in progress, and inventories, and spreading to several nearby factories, of which property was impaired and business operation was interrupted. SCI derecognized damaged buildings, equipment and construction in progress at $401,187 thousand and the inventories at $175,565 thousand and accrued for the damaged loss for nearby damaged companies for $509,076 thousand. The total disaster loss is $1,085,828 thousand. Among which, the damaged loss is based on the best estimate from the available evidence as of the reporting date. However, the actual loss of the claim is still subject to future negotiation, and there are contingent liabilities that cannot be estimated or recorded.

SCI has already entered into related property insurance contracts and it currently in the process of

negotiation with the insurance company to handle claims. SCI has confirmed with the insurance company and its notary to recognize the virtually certain amount of compensation that can be received from the insurance company as claim receivables, but shall not exceed the disaster loss of each asset. As of December 31,2020, SCI recognizes the claim receivable for $519,057 thousand, as a deduction to the miscellaneous disbursements. However, the insurance claims involve disaster identification, SCI has not been able to confirm the total amount of insurance claims, and will recognize it when the company can almost be certain that it can receive the subsequent increase in insurance claims income.

11 SIGNIFICANT SUBSEQUENT EVENTS

The Company was approved by the board of directors on November 13, 2020 to issue the first unsecure convertable corporate bonds, with nominal value of $2,300,000 thousand to repay bank borrowings. It was approved by the FSC and issued at a premium of 100.5% on January 25, 2021.

12 Other

12.1 Capital management

The objectives of capital management is to maintain capital structure, reduce capital cost and continue to operate at the maximum interests of shareholders.

12.2 Financial instruments

1. Fair value of financial instruments

The Company and its subsidiaries do not disclose the fair value for short-term financial instruments, such as cash and cash equivalents, accounts receivable/payable, loans, intercompany reinsurance receivables, claims and payments recoverable from reinsurers, refundable deposits, short-term debts, bank borrowings and guarantee deposits received. Since these financial instruments have relatively shorter maturity date, their carrying amount can be fairly presented as the fair values, the Company does not disclose the fair value. Furthermore, the fair values information of financial assets and financial liabilities are as follows:

	December 31,2020		December 31,2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at FVTPL	$86,901,767	$86,901,767	$97,729,006	$97,729,006
Financial assets measured at FVOCI	45,729,987	45,729,987	52,903,309	52,903,309
Financial assets measured at amortized cost	817,068,782	887,289,138	791,349,195	828,140,894

	December 31,2020		December 31,2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Financial liabilities measured at FVTPL	1,979,315	1,979,315	251,177	251,177
Bonds payable	7,500,000	8,098,075	7,500,000	8,058,075

The company and its subsidiaries valuation techniques and assumptions used in fair value determination are as follow:

(1) The fair value of Short-term financial products are estimated based on its carrying amount on the balance sheet. Since the maturity date of the products is short, carrying amount should be a reasonable basis for estimating its fair value. This method applies to cash and cash equivalent, notes receivable and notes payable, accounts receivable and accounts payable, and other financial assets.

(2) Since the loans of all the financial assets are interest-bearing, therefore, the carrying amount after deducting the allowance for bad debt is close to the current fair value.

(3) If the equity investments and debt securities are an active market, then the fair value of the asset is the market price. If no market price is available for reference, the method of estimation is the same as those used by the market participants in the pricing of financial products. The discount rate used by the Company is equal to that of the financial products with the same terms and characteristics.

(4) Refundable deposits and guarantee deposits received are estimated based on its carrying amount.

(5) Bank borrowings are estimated based on its carrying amount.

(6) The fair value of the forward foreign exchange contract, if available, is based on the market price. If the market price is unavailable, the fair value is the difference between the forward price of the contract and the current forward price. The remaining period of the contract is discounted.

(7) The fair value of the interest rate exchange is based on the quotation of the broker, which is derived from estimated future cash flows based on the terms and maturities of each contract, using the present value of the market interest rate of similar instruments to test its reasonableness.

(8) The fair value of non-derivative financial liabilities is calculated by the cash flow of principal and interest in the future discounted to the fair value used the market interest rate as of the reported date.

2. Financial risk management policies

(1)The company and its subsidiaries activities expose it to a variety of financial risks including market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial position and financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

(2)Risk management is carried out by the company and its subsidiaries risk management department under policies approved by the Board of Directors. The general administration division identifies, evaluates and hedges financial risks to cooperation with the business operating units.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Exchange rate risks

a.The operation of the Company and its subsidiaries are affected by the exchange rate risks arising from various currencies, but the main risk is from the currency USD. The related exchange rate risk comes from recognized assets and liabilities denominated in foreign currencies, mainly accounts receivables/payables, advance receipts, and financial products, etc.

b.The Company and its subsidiaries paid attention to change in exchange rates and hedged foreign exchange rate by using forward exchange contracts.

c.The Company and its subsidiaries businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

	December 31,2020			December 31,2019		
	Local Currency	Exchange rate	NTD	Local Currency	Exchange rate	NTD
Financial Assets						
Monetary items						
USD	$24,093,892	28.51	$686,865,839	$23,469,376	30.11	$706,565,397
AUD	206,072	22.05	4,544,079	200,720	21.10	4,236,052
CNY	4,405,867	4.38	19,281,301	4,334,977	4.32	18,743,073
NZD	165,464	20.64	3,414,660	165,438	20.28	3,354,479
CAD	-	-	-	15,306	23.11	353,675
HKD	172,476	3.68	634,280	99,017	3.87	382,819
EUR	27,309	35.01	955,429	15,919	33.77	536,583
JPY	2,549,413	0.28	704,400	759,479	0.28	210,278
GBP	20	38.98	778	122	39.36	4,802
KRW	-	-	-	91,028	0.03	2,374
IDR	-	-	-	754,877,625	0.0022	1,640,877
SGD	58,466	21.57	1,261,229	4,280	22.37	95,754
			$717,661,995			$736,126,163
Non-monetary items						
USD	$509,459	28.51	14,523,643	$530,294	30.11	$15,965,023
EUR	30,354	35.01	1,062,613	9,438	33.77	318,715
HKD	352,244	3.68	1,295,376	1,502,139	3.87	5,807,570
AUD	46,691	22.05	1,029,572	26,359	21.10	556,288
CNY	395,948	4.38	1,734,348	600,279	4.32	2,595,179
JPY	4,174,302	0.28	1,155,029	2,433,482	0.28	675,048
SGD	6,892	21.57	148,684	10,982	22.37	245,730
KRW	-	-	-	17,475,422	0.03	455,773
GBP	466	38.98	18,182	-	-	-
			$20,967,447			$26,619,326
Derivative						
USD	$-	28.51	$5,832,414	$-	30.11	$14,372,642
SGD	-	-	-	-	22.37	8,000
			$5,832,414			$14,380,642
Financial Liabilities						
Monetary items						
USD	$81,121	28.51	$2,312,285	$77,548	30.11	$2,334,283
CNY	9,530	4.38	41,759	-	-	-
EUR	149	35.01	4,980	66	33.77	2,203
GBP	98	38.98	3,812	67	39.36	2,637
JPY	824,666	0.28	227,914	99,357	0.28	27,424
			$2,590,750			$2,366,547
Derivative						
USD	$-	28.51	$1,699,941	$-	30.11	$130,276
AUD	-	22.05	159,606	-	21.10	67,528
NZD	-	20.64	71,753	-	20.28	53,373
CNY	-	4.38	47,907	-	-	-
			$1,979,207			$251,177

B.Foreign exchange sensitivity analysis

The following table shows the impact of 1% fall in the exchange rates of the local currencies to New Taiwan Dollar.

Unit: Thousand dollar

Currency	Exchange rate change	Effects on profit before tax		Effects on equities	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
USD	-1%	$(288,119)	$(453,782)	$(341,640)	$(486,648)
CNY	-1%	(190,797)	(185,357)	(163,220)	(164,442)
AUD	-1%	(10,990)	(12,669)	(15,352)	(14,027)
EUR	-1%	(9,600)	(3,294)	(14,847)	(4,458)
JPY	-1%	(6,302)	(1,828)	(14,662)	(6,620)

C.The measurements of market risk

The subsidiary MLI uses " Value at Risk" to measure the market risk of various financial instruments, and sets the "market risk limit" to monitor the value changed in relevant financial instruments, and regularly evaluates the rationality of the risk limits.

The subsidiary MLI uses the historical simulation method, selecting 750 days of historical data, 99% of the trust interval and 10 days holding period, to calculate and monitor the daily risk portfolio. The risks of our financial instruments on December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Currency risk	$1,398,401	$1,868,666
Interest rate risk	745,330	1,013,425
The risk of share price	2,141,716	3,016,491
Risk diversification	(1,878,365)	(3,091,279)
Total at risk	$2,407,082	$2,807,303

The risk valuation model has its limitation, the subsidiary MLI regularly tests the market risk to ensure the rationality of the risk valuation model.

D.Interest rate sensitivity analysis

A change of 100 basis points ("BPS") in interest rates at the end of the reporting period would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The changes of rates	Effects on profits before tax		Effects on other comprehensive income	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Major yield curve-up 100BPS	$(116,345)	$(58,268)	$(3,674,221)	$(4,747,404)
Major yield curve-down 100BPS	116,849	58,446	4,538,692	5,815,057

E.Taiwan Stock Exchange Capitalization Weighted Stock Index sensitivity analysis

The table below shows the effects on profits before tax and equities if The subsidiary MLI assumes the other variables remain constant, Weighted Price Index of the Taiwan Stock Exchange increase or decrease by 10%.

Changes in the Weighted Stock Index of the Taiwan Stock Exchange	Effects on profits before tax		Effects on other comprehensive income	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Increase 10%	$(294)	$-	$569,736	$3,793,442
Decrease 10%	294	$-	(569,736)	(3,793,442)

(2) Liquidity risk

A.The liquidity risk of financial instruments is divided into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk that the Company and its subsidiaries do not possess sufficient cash and is not able to raise funds in time and finally failed to fulfill the obligation (debt repayment); Market liquidity risk refers to the risk that the Company and its subsidiaries are not able to settle or offset current position with reasonable market price due to the shallow market depth or market disorder or the oversized possession of the investment position and finally the Company and its subsidiaries may suffer from losses.

In terms of capital liquidity risk, the Company and its subsidiaries manage it in two aspects, short term and mid to long term. Except for the capital liquidity ratio set up for the index of measurement and control of short term liquidity, relevant departments have established prompt capital report mechanism and apply proper currency market instruments or foreign exchange derivative instruments for daily capital movement; mid to long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The Company and its subsidiaries apply cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of the Company and its subsidiaries established monitoring mechanism in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk.

In addition, the Company and its subsidiaries established complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

The Company and its subsidiaries possess sufficient operating funds, including cash and cash equivalents and securities with excellent liquidity such as government bond, to cover the investments and debt repayments. Therefore, the liquidity risk of the Company and its subsidiaries are extremely low. In addition, the derivative financial instruments the Company and its subsidiaries engage in, such as forward exchange contracts and swaps foreign exchange, are all of highly liquid currencies. The possibility that they are not able to be sold at reasonable prices in the market is minimum, and therefore the market liquidity risk is low. Furthermore, forward exchange contracts and foreign exchange swaps which matured are mostly rolled forward and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is insignificant.

The following table is an analysis of the cash flows of the Company's non-derivative financial liabilities based on the remaining periods between the reporting date and the repayment date based on the undiscounted cash flows of the financial liabilities, including interest. Therefore, some accounts illustrated below may not match the corresponding accounts on the balance sheet. The expected cash flow of these financial instruments may significantly differ from the analysis in the following table.

December 31, 2020	< 1 year	1~5 years	> 5 years	Total
Estimated cash outflow from financial liabilities				
Short-term borrowings	$665,000	$-	$-	$665,000
Short-term notes and bills payable	1,249,863	-	-	1,249,863
Accounts payable	8,095,703	-	-	8,095,703
Commissions payable	1,063,740	-	-	1,063,740
Lease liabilities	1,364,308	2,774,653	209,200	4,348,161
Guarantee deposits received	2,211,964	438,302	15,980	2,666,246
Bonds payable	287,500	955,000	7,592,500	8,835,000
Long-term borrowings (including current portion)	8,506,500	-	-	8,506,500
Total	$23,444,578	$4,167,955	$7,817,680	$35,430,213

December 31,2019	< 1 year	1~5 years	> 5 years	Total
Estimated cash outflow from financial liabilities				
Short-term borrowings	$1,287,000	$-	$-	$1,287,000
Short-term notes and bills payable	914,801	-	-	914,801
Accounts payable	7,237,776	-	-	7,237,776
Commissions payable	1,455,092	-	-	1,455,092
Lease liabilities	1,127,093	2,431,170	188,748	3,747,011
Guarantee deposits received	2,252,740	422,819	14,425	2,689,984
Bonds payable	287,500	1,150,000	7,685,000	9,122,500
Long-term borrowing (including current portion)	8,230,000	-	-	8,230,000
Total	$22,792,002	$4,003,989	$7,888,173	$34,684,164

B. Maturity analysis for derivative financial liabilities

a. Net settlement of derivative instruments

The subsidiary MLI's net settled derivative instruments includes foreign derivative instruments.

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
—Foreign exchange derivatives	$398,897	$994,677	$585,633	$-	$-	$1,979,207
—Other	108	-	-	-	-	108
Total	$399,005	$994,677	$585,633	$-	$-	$1,979,315

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
—Foreign exchange derivatives	$72,373	$49,223	$3,942	$125,639	$-	$251,177
Total	$72,373	$49,223	$3,942	$125,639	$-	$251,177

b.Total settlement of derivative instruments

The subsidiary MLI's total settled derivative instruments included the contracts of cross- currency swap.

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
—Cross-currency swap						
Cash outflow	$-	$-	$-	$2,172,730	$19,021,250	$21,193,980
Cash inflow	-	-	-	2,319,845	19,440,808	21,760,653
Net	$-	$-	$-	$(147,115)	$(419,558)	$(566,673)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
—Cross-currency swap						
Cash outflow	$-	$-	$-	$-	$2,172,730	$2,172,730
Cash inflow	-	-	-	-	2,224,844	2,224,844
Net	$-	$-	$-	$-	$(52,114)	$(52,114)

(3) Credit risk

A. Credit risk management

a. Credit risk is the risk of financial loss to the Company and its subsidiaries if a debtor or counterparty to a financial instrument fails to meet its contractual obligations. When all counterparties are concentrated in a single industry or region, the Company and its subsidiaries may face greater risk. Due to counterparties who are in the same industry or region are subject to the same economic environment and their ability to repay their loans will be affected.

b. Credit risk is managed through the following mechanisms:

- Limit Control: Limits were set to monitor on sector, same related entity and country exposure risks in order to avoid concentration risk.
- The subsidiary MLI's prudent credit evaluations were performed when we conduct the loan business and collateral were requested in order to reduce our credit risk exposure.

B. Expected credit loss

a. Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company and its subsidiaries consider the reasonable and supportable information (past, present, and future) that is available without undue cost or effort.

The objective of the assessment is to determine whether credit risk has significantly increased by comparing:

- The default rate of the financial instrument on reporting date; and
- The default rate of the financial instrument since initial recognition.

Except for the following which loss allowance are measured at an amount equal to the 12-month credit losses, the Company and its subsidiaries calculate the loss allowance based on the assets lifetime expected credit losses:

- Investments in debt securities that are determined to have a low credit risk at reporting date, and;
- Other financial instruments which credit risk have not significantly increased since initial recognition.

When debt securities credit risk are globally reported on an external rating as "investment grade", these are determined to be a low credit risk investment by the Company and its subsidiaries 12-month expected credit loss refer to the losses that will result if a default occurs in the 12 months after the reporting date.

In assessing whether the credit risk on a financial asset has increased significantly, the Company and its subsidiaries consider that different investment portfolios have different credit risks, including changes in default rates and credit qualities. Based on the Company and its subsidiaries' assessment policy, in the event that an investment is no longer "investment grade", and that a decline occurred between its credit rating and its investment grade, this results in a significant increase in credit risk. In the event that the Company and its subsidiaries' assessment policy do not detect an increase in credit risk in time, the Company and its subsidiaries employ professional judgment and prior experience to determine whether a significant increase in credit risk occurred on a financial asset.

The Company and its subsidiaries assume that the credit risk of a financial asset has increased significantly when contractual payments are overdue after 30 days, or when objective evidence of impairment exists. The past-due days are calculated based on the first day the counterparties exceed its contractual credit term.

b.Credit risk rating

The Company and its subsidiaries have a credit risk rating policy in place for different types of financial instruments. The credit risk rating will correspondingly increase to reflect the escalating risk of default of each financial instrument.

The credit risk rating is initially determined based on the borrower's credit information. This credit risk rating is monitored on an ongoing basis, and will alter based on changes in the instrument's risk grade. Credit risk monitoring is based on the aging days and objective evidence of impairment.

c.Default rate structure

Credit rating is a key component in assessing the exposure loss. The Company and its subsidiaries collect data of customers, such as geographical area, product, borrower, credit rating etc., to assess the exposure loss.

The Company and its subsidiaries utilize statistical analysis of the data collected to assess the exposure loss, and the analysis will be updated based on latest available data.

These assessments include identifying and updating the default rates based on economic indexes and other relevant statistics. For most assessments, the main indexes are the Gross Domestic Product Growth Rates and Unemployment Rates.

d.Definition of default

The Company and its subsidiaries determined that the following as a "default" of financial asset:

- The borrower is unable to repay the debts in full, unless the Company and its subsidiaries exercise its recourse rights, such as disposing its collateral on auction.
- The borrower has significant debts past due for more than 90 days.

In assessing whether a borrower has defaulted, the Company and its subsidiaries consider the following:

- Qualitative indicators – breach of contract
- Quantitative indicators – the same borrower has other unpaid debts within the Company and its subsidiaries.
- Based on internal and external data that take into account default input and other main inputs over time, which indicate changes in circumstances.

e.Definition of credit loss on financial assets

At each reporting date, the Company and its subsidiaries assess whether there is a credit loss on debt instruments measured at amortized cost and FVOCI. In the event where one or more circumstances which cause an expected cash shortfall from financial assets occur, then a credit loss has occurred.

The following observable inputs are examples of circumstances that cause a credit loss:

- The issuer or borrower faces adverse financial difficulties;
- A breach of contract, including omission and delay of repayment;
- The borrower's creditor has filed for a winding up of the borrower;
- It is probable that the borrower will declare bankruptcy or other financial restructuring;
- A buy-in at a large discount of the financial asset.

In the case where a borrower has declared for a rationalization plan, this will normally be viewed as a credit loss, unless there is evidence that the irrecoverable risk has reduced, and there are no other indicators of credit loss.

f.Measurement of expected credit loss

The main factors in calculating expected credit loss are:

- Default rate
- Default loss rate
- Default exposure

Default rate is estimated based on statistical data and exposure type of the counterparty, on a particular point in time. These statistical data are calculated based on internal information, which are qualitative and quantitative in nature. Where available, market data are obtained to estimate the default rates of corporate counterparties. In the event of a change in credit rating, it will correspondingly affect the default rate of the asset. The default rate also takes into account the exposure of the contract up to its maturity date and the estimated early repayment ratios.

Default loss rate is the maximum loss rate in the event of a breach of contract occurred. The Company and its subsidiaries use the historic recovery rate of previous defaulting counterparties as a basis of calculating default loss rate. The default loss rate model also considers the financial assets overall structure, guarantee, priority to claims, industry of counterparties, and cost to recover guarantees.

Default exposure is the claim amount in the event of a breach. The Company and its subsidiaries' upfront claim amount (including amortization), plus interest, is calculated as the default exposure amount.

g.Data used in forecasting

The default probability used by the company and its subsidiaries for debt instrument financial assets is based on the information published by the international credit rating agency Moody's. This default probability includes forecasts of future general economic conditions and implied market data. Loans are based on the company's internal historical information, as well as various external actual and forecast information, to formulate a benchmark view of a representative range of relevant economic variables and other possible forecast scenarios. External information includes government authorities, foreign currency funds, elected private departments, and economic forecast studies.

C. Analysis of credit risk quality

The subsidiary MLI's information regarding the credit risk quality of debt instruments measured at FVOCI, financial assets measured at amortized cost and loans and receivables was presented in the tables below. All financial asset balances disclosed below were presented at net, unless specifically stated otherwise.

a. Debt instruments measured at FVOCI (Exclude statutory refundable deposits)

	2020			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	$44,525,500	$-	$-	$44,525,500
Significant increase in credit risk	-	-	-	-
Carrying amount	$44,525,500	$-	$-	$44,525,500

	2019			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	$50,994,162	$-	$-	$50,994,162
Significant increase in credit risk	-	-	-	-
Loss allowance	-	-	-	-
Carrying amount	$50,994,162	$-	$-	$50,994,162

b. Financial assets measured at amortized cost (Exclude statutory refundable deposits)

	2020			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	$817,104,607	$-	$-	$817,104,607
Significant increase in credit risk	-	-	-	-
Loss allowance	(81,297)	-	-	(81,297)
Carrying amount	$817,023,310	$-	$-	$817,023,310

	2019			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	$789,219,647	$-	$-	$789,219,647
Significant increase in credit risk	-	2,593,632	-	2,593,632
Loss allowance	(241,564)	(276,504)	-	(518,068)
Carrying amount	$788,978,083	$2,317,128	$-	$791,295,211

c. Loans (Exclude policy loans and automatic premium loans)

	2020			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Overdue 0~8 days	$29,613,462	$-	$-	$29,613,462
Overdue 9~30 days	122,603	-	-	122,603
Overdue 31~60 days	-	737	-	737
Overdue 61~90 days	-	-	-	-
Overdue more than 91 days or breach of contract	-	-	68,933	68,933
Significant increase in credit risk	-	-	-	-
Loss allowance	(445,982)	(11)	(1,047)	(447,040)
Carrying amount	$29,290,083	$726	$67,886	$29,358,695

	2019			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Overdue 0~8 days	$30,194,501	$-	$-	$30,194,501
Overdue 9~30 days	110,799	-	-	110,799
Overdue 31~60 days	-	7,590	-	7,590
Overdue 61~90 days	-	-	-	-
Overdue more than 91 days or breach of contract	-	-	91,705	91,705
Significant increase in credit risk	-	-	-	-
Loss allowance	(454,509)	(114)	(1,390)	(456,013)
Carrying amount	$29,850,791	$ 7,476	$90,315	$29,948,582

d. Receivables (Interest receivable)

	2020			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	$5,545,257	$-	$-	$5,545,257
Significant increase in credit risk	-	-	-	-
Loss allowance	(573)	-	-	(573)
Carrying amount	$5,544,684	$-	$-	$5,544,684

	2019			
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	$5,759,341	$-	$-	$5,759,341
Significant increase in credit risk	-	60,933	-	60,933
Loss allowance	(1,907)	(6,438)	-	(8,345)
Carrying amount	$5,757,434	$54,495	$-	$5,811,929

D. Maximum credit risk exposure of financial assets

Book value best represents the subsidiary MLI's maximum exposure to credit risk for its on balance sheet financial instruments before taking into account any collateral held or other credit risk mitigation. The maximum credit risk exposure are $1,180,592,562 thousand and $1,123,247,645 thousand on December 31, 2020 and 2019, respectively. In addition, the subsidiary MLI has no exposure to credit risk for off balance sheet financial instruments.

The maximum exposure to credit risk for loans and receivables except policy loans and automatic premium loans by geographic region:

	December 31,2020		December 31,2019	
	Amount	%	Amount	%
Taipei area	$10,228,388	35	$11,339,679	38
Zhongli area	5,843,585	20	5,552,205	18
Taichung area	7,391,761	25	7,097,820	24
Tainan area	3,134,673	11	2,907,314	10
Kaohsiung area	2,760,288	9	3,051,564	10
Total	$29,358,695	100	$29,948,582	100

The maximum exposure to credit risk for bond investments by geographic region of bond issuers:

Region		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Taiwan		$235,658,514	26.34	$191,403,351	21.63
Developed countries	Asia	25,346,492	2.83	29,713,795	3.36
	North America	246,044,064	27.50	257,953,107	29.15
	Europe	176,815,033	19.76	203,546,153	23.00
	Oceania	26,202,552	2.93	34,368,534	3.89
Multi-country investment		3,952,824	0.44	4,433,523	0.50
Emerging countries (except Taiwan)		180,828,443	20.20	163,429,094	18.47
Total		$894,847,922	100.00	$884,847,557	100.00

E：As of December 31, 2020, and 2019, the Company and its subsidiaries have no past due but not impaired amount of its financial assets.

F：Analysis of financial assets that are individually determined to be impaired.

a. Non-derivative financial asset

	December 31, 2020		
	Impaired Amount	Accumulated Impairment	Net
Accounts receivables	$22,210	$21,932	$278

	December 31, 2019		
	Impaired Amount	Accumulated Impairment	Net
Accounts receivables	$23,042	$22,738	$304

b. Impaired loans (Exclude policy loans and automatic premium loans)

December 31, 2020	Loans (Exclude policy loans and automatic premium loans)		
	Real estate mortgage	Other secured loan	Total
Impaired amount	$69,005	$-	$69,005
Less: Impairment reserves	(2,389)	-	(2,389)
Net	$66,616	$-	$66,616

December 31,2019	Loans (Exclude policy loans and automatic premium loans)		
	Real estate mortgage	Other secured loan	Total
Impaired amount	$91,851	$-	$91,851
Less: Impairment reserves	(3,375)	-	(3,375)
Net	$88,476	$-	$88,476

(4) Operational risk

Operational risk is the potential for loss of the Company and its subsidiaries' financial instruments arising from the failure of people, process, technology or the impact of external events. The goal of the Company and its subsidiaries' operational risk management are to set up and implement sufficient risk management mechanisms; therefore, the Company and its subsidiaries' operation and management goals will be achieved by lowering the operational risk.

The Company and its subsidiaries set up business regulations and internal control systems for each of its products and operating activities and the operating units are responsible to comply with them. Based on the laws and regulations, the nature of business and the operating processes, each of the Company and its subsidiaries' departments shall execute the procedures of internal control, self-audit and compliance with laws and regulations. Each department shall comply with the laws and regulations, internal chapters and hierarchical authorization to execute operational risk management. The Department of Legal & Compliance shall review all the external contracts or exchanged legal documents, and advice or a legal opinion from external lawyers may be required depending on the situation. Upon material damages or unusual conditions incurred in the internal operations, they shall be reported as the standard procedures and emergency meetings shall also be held to develop risk response strategies.

In addition, the subsidiary MLI's every department implemented self-evaluation operation (RCSA) to effectively identify, assess, monitor and control the potential operational risks. The risk management department regularly prepares self-assess operational risk management reports to monitor the subsidiary MLI's operational risk, provides advises on operational risk management.

12.3 Fair value hierarchy

1. The following valuation methods are for analyzing the financial instrument measured at fair value. Each level of fair valued hierarchy is defined as follows:

Level 1：Fair value of financial instruments classified in level 1 is based on the quoted price for an identical financial instrument in an active market. The definition of active market includes all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Level 2：Fair value of financial instruments classified in level 2 is based on inputs other than quoted prices in active markets including observable input parameters obtained either directly (i.e., as prices) or indirectly (i.e., derived from prices) in active markets. Examples of observable inputs are as follows:

(1) The quoted price for a similar financial instrument in an active market means the market transaction price for a similar financial instrument based on its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the market transaction prices for an identical financial instrument, wherein the quoted price does not represent the fair value at the measurement date. The reasons also include the difference in transaction terms for financial instruments, transaction prices involving related parties, and the relationship between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

(2) The quoted market price of an identical or similar financial instrument in an inactive market.

(3) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs (i.e., interest rate, yield curve, and volatility rate) used are based on data obtainable from the market. An observable input can be derived from market data and reflects the expectation of market participants when it is used in evaluating the prices of financial instruments.

(4) A majority of the inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

Level 3：Input for a fair value measurement for a financial instrument classified is not based on data obtainable from the market. An unobservable input, such as volatility for a share option derived from the share' s historical price, does not generally represent current market expectations about future volatility.

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVTPL				
Common stocks	$21,884,420	$21,745,937	$109,233	$29,250
Preferred stocks	3,026,809	3,026,809	-	-
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	4,686,573	-	4,686,573	-
Cross currency swaps contracts	566,673	-	566,673	-
Financial bonds	7,584,256	-	7,584,256	-
Beneficiary certificates and others	25,987,470	25,290,935	-	696,535
Foreign stocks	8,842,580	8,842,580	-	-
Foreign depository receipts	252,303	252,303	-	-
Foreign bonds	2,905,382	-	2,905,382	-
Foreign beneficiary certificates	11,134,989	10,782,862	-	352,127
Total	$86,871,455	$69,941,426	$15,852,117	$1,077,912

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVOCI				
Government bonds	$6,535,505	$-	$6,535,505	$-
Corporate bonds	14,525,285	-	14,525,285	-
Financial bonds	12,260,139	-	12,260,139	-
Foreign bonds	11,204,571	7,794,815	3,409,756	-
Unquoted stocks	1,167,703	-	-	1,167,703
Common stocks	110	110	-	-
Preferred stocks	36,674	-	-	36,674
Total	$45,729,987	7,794,925	$36,730,685	$1,204,377
Investment Assets	$27,250,368	$-	$-	$27,250,368
Financial liabilities measured at FVTPL				
Futures	$108	$108	$-	$-
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	1,979,207	-	1,979,207	-
Total	$1,979,315	$108	$1,979,207	$-

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVTPL				
Common stocks	$28,164,070	$28,130,632	$33,438	$-
Preferred stocks	5,713,722	5,713,722	-	-
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	6,549,819	-	6,549,819	-
Cross currency swaps contracts	52,114	-	52,114	-
Financial bonds	9,703,612	-	9,703,612	-
Beneficiary certificates and others	12,510,311	12,087,918	-	422,393
Foreign stocks	9,038,357	9,038,357	-	-
Foreign depository receipts	669,696	669,696	-	-
Foreign bonds	10,011,354	-	10,011,354	-
Foreign beneficiary certificates	15,315,951	15,056,164	-	259,787
Total	$97,729,006	$70,696,489	$26,350,337	$682,180

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVOCI				
Government bonds	$9,135,871	$-	$9,135,871	$-
Corporate bonds	8,429,369	-	8,429,369	-
Financial bonds	16,209,615	-	16,209,615	-
Foreign bonds	19,509,341	17,276,041	2,233,300	-
Unquoted stocks	1,229,491	28,710	-	1,200,781
Common stocks	159,944	159,944	-	-
Foreign preferred stocks	457,519	457,519	-	-
Preferred stocks	62,193	-	-	62,193
Less: statutory refundable deposits	(2,290,034)	-	(2,290,034)	-
Total	$52,903,309	17,922,214	$33,718,121	$1,262,974
Investment Assets	$27,595,662	$-	$-	$27,595,662
Financial liabilities measured at FVTPL				
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	$251,177	$-	$251,177	$-

2. There was no significant transfer between the first and second levels for the years ended December 31, 2020 and 2019.

3. The below table shows a reconciliation of Level 3 fair values:

	FVTPL	FVOCI	Investment property	Total
January 1, 2020	$682,180	$1,262,974	$27,595,662	$29,540,816
Gains and losses				
Recognized in profit or loss	9,983	-	250,675	260,658
Recognized in OCI	-	(40,671)	-	(40,671)
Purchased	356,499	-	9,865	366,364
Disposals	-	(33,545)	-	(33,545)
Transfer into (out) Level 3	29,250	15,619	-	44,869
Reclassification	-	-	(605,834)	(605,834)
December 31, 2020	$1,077,912	$1,204,377	$27,250,368	$29,532,657

	FVTPL	FVOCI	Investment property	Total
January 1, 2019	$236,959	$1,307,428	31,200,851	$32,745,238
Gains and losses				
Recognized in profit or loss	20,782	-	48,092	68,874
Recognized in OCI	-	(116,046)	-	(116,046)
Purchased	293,996	169,368	-	463,364
Disposals	(9,657)	(97,776)	(3,653,281)	(3,760,714)
Transfer into (out) Level 3	140,100	-	-	140,100
December 31, 2019	$682,180	$1,262,974	$27,595,662	$29,540,816

The gains and losses above are recognized based on "Financial assets and liabilities measured at FVTPL", "Unrealized gains and losses measured at FVOCI" and "Gains and losses on investment property". The related assets held by the Company on December 31, 2020 and 2019 are as follows:

	2020	2019
Gains and losses		
Recognized in profit or loss ("Financial assets and liabilities measured at FVTPL")	$9,983	$20,782
Recognized in OCI ("Unrealized gains and losses measured at FVOCI")	(40,671)	(116,046)
Recognized in profit or loss ("Gains and losses on investment property")	250,675	48,092

4. Fair value information of significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Item	Valuation technique	Significant unobservable inputs	Inter-relationship Between significant Unobservable inputs and fair value measurement
The Company			
Financial assets measured at FVOCI	Market comparison method	Liquidity discount rate 2019: 20%~38.4% 2020: 20%~35%	Inverse relationship
The subsidiary MLI			
Financial assets measured at FVTPL – Beneficiary certificates and others	Asset adjustment method	Liquidity discount rate 2019 and 2020: 0% to 25%	Inverse relationship
Financial assets measured at FVTPL – Private fund	Asset adjustment method	Liquidity discount rate 2019: 0% to 25% 2020:0% to 50%, Discount rate 2020:0% to 50%	Inverse relationship
Financial assets measured at FVOCI –Unquoted stocks	Asset adjustment method	Liquidity discount rate 2019: 0% to 15%	Inverse relationship
Financial assets measured at FVOCI–Venture capital	Asset adjustment method	Liquidity discount rate 2019 and 2020: 0% to 30%	Inverse relationship
The subsidiary MA			
Financial assets measured at FVOCI –Unquoted stocks	Market comparison method	Liquidity discount rate 2019：23.38% 2020：25.35%	Inverse relationship

Item	Valuation technique	Significant unobservable inputs	Inter-relationship Between significant Unobservable inputs and fair value measurement
The subsidiary MFB			
Financial assets measured at FVOCI	Market comparison method	Liquidity discount rate 2019 and 2020: 20%	Inverse relationship
The subsidiary MDS			
Financial assets measured at FVOCI –Unquoted stocks	Market comparison method	Liquidity discount rate 2019 and 2020: 20%~50%	Inverse relationship
The subsidiary SCI			
Financial assets measured at FVOCI –Unquoted stocks	Comparable listed company method	Liquidity discount rate 2020：23%~50% 2019：50%	Inverse relationship
The subsidiary MF			
Financial assets measured at FVTPL – Private fund	Option pricing model	Liquidity discount Rate 2019 and 2020: 20%	Inverse relationship

5. Classification process of Level 3 fair value

The Company and its subsidiaries' Risk Management Department is responsible to verify the fair values of the assets based on independent sources that reflect the nearest market conditions. The Company and its subsidiaries ensure that the information used are independent, reliable, and coherent with other resources and represent exercisable prices. Also, the Company and its subsidiaries policy require that these fair values are analyzed for remeasurement and reassessment on each reporting date to ensure that the fair values are reasonable.

6. Sensitivity analysis of Level 3 fair value

While the Company and its subsidiaries' measurement of fair value on financial assets are reasonable, these fair values might differ, should a different valuation model be used as its measurement method. The following table describes the impact to the profit or loss and other comprehensive income should change in the inputs be used on Level 3 financial assets.

	December 31, 2020					
			Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
The Company						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	$-	$-	$164	$(165)
Venture capital	Variable discount	1%	-	-	29	(29)
The subsidiary MLI						
Financial assets measured at FVTPL						
Beneficiary certificates and others	Variable discount	10%	-	(2,853)	-	-
Private fund	Variable discount	10%	-	(60,933)	-	-
	Discount rate	1%	-	(9,588)	-	-
Financial assets measured at FVOCIL						
Venture capital	Variable discount	10%	-	-	-	(69,901)
The subsidiary MA						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	39	(39)

	December 31, 2020					
			Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
The subsidiary MFB						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	43	(44)
The subsidiary MDS						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	380	(380)
The subsidiary SCI						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	5%	-	-	2,895	(2,895)
The subsidiary MF						
Financial assets measured at FVTPL						
Private fund	Variable discount	1%	206	(206)	-	-

	December 31, 2019					
			Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
The Company						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	$-	$-	$410	$(410)
Venture capital	Variable discount	1%	-	-	118	(119)
The subsidiary MLI						
Financial assets measured at FVTPL						
Beneficiary certificates and others	Variable discount	10%	-	(2,270)	-	-
Private fund	Variable discount	10%	-	(40,733)	-	-
Financial assets measured at FVOCI						
Venture capital	Variable discount	10%	-	-	-	(60,817)
The subsidiary MA						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	61	(61)
The subsidiary MFB						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	59	(59)

	December 31, 2019					
			Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
The subsidiary MDS						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	1,032	(1,303)
The subsidiary SCI						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	5%	-	-	2,801	(2,801)
The subsidiary MF						
Financial assets measured at FVTPL						
Private fund	Variable discount	1%	121	(121)	-	-

The positive and negative impacts are results from changes in fair values, which calculations are affected by changes in the unobservable inputs. Should the fair value of a financial asset be affected by more than one input, the fair values are not presented in the table above. The table above presents the impact of changes in one input only, and does not consider the relationship between other inputs in the valuation of fair values above.

12.4 Financial instruments not measured at fair value

The Company and its subsidiaries' financial instruments not measured at fair value are listed in the table below. Other than cash and cash equivalent, receivables / payables, loans, intercompany reinsurance receivables, claims and payments recoverable from reinsurers, short-term borrowings, refundable deposit and guarantee deposits received, whose values are reasonably closed to their fair value, as well as lease liabilities, disclosure of fair value is not required. The fair value of financial instruments and non-financial assets not measured at fair value are as follows:

Assets and liabilities	December 31, 2020 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Financial assets measured at amortized costs	$887,289,138	$319,160,797	$568,128,341	$-
Financial liabilities:				
Bonds payable	8,098,075	-	8,098,075	-

Assets and liabilities	December 31, 2019 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Financial assets measured at amortized costs	$828,140,894	$280,301,146	$547,839,748	$-
Financial liabilities:				
Bonds payable	8,058,075	-	8,058,075	-

12.5 Offsetting financial assets and financial liabilities

The subsidiary MLI is offsetting its financial instruments according to the conditions set forth in paragraph 42 of IAS 32 endorsed by the FSC, in which its financial assets and liabilities are presented as net amounts in the statement of financial position.

The subsidiary MLI has an exercisable master netting arrangement or similar agreement in place with its counterparties, and both parties reach a consensus regarding net settlement. The aforesaid exercisable master netting arrangement or similar agreement can be net settled after offsetting the financial assets and financial liabilities. Otherwise, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The aforesaid offsetting financial assets and financial liabilities are as follows:

	Financial assets (liabilities) subject to offsetting, enforceable master netting arrangement or similar arrangement					
				Related amount not offset in the statement of financial position(d)		
	Total gross amounts of recognized financial assets (liabilities) (a)	Total amounts of recognized financial assets (liabilities) offset in the statement of financial position (b)	Net amounts of recognized financial assets (liabilities) in the statement of financial position (c)=(a)-(b)	Financial instrument	Cash Collateral received	Net amount (e)=(c)-(d)
December 31, 2020						
Derivative instruments assets	$5,832,414	$-	$5,832,414	$1,556,079	$-	$4,276,335
Derivative instruments liabilities	(1,979,315)	-	(1,979,315)	(1,556,079)	-	(423,236)
December 31, 2019						
Derivative instruments assets	$14,380,643	$-	$14,380,643	$204,991	$-	$14,175,652
Derivative instruments liabilities	(251,177)	-	(251,177)	(204,991)	-	(46,186)

12.6 Information of derivatives instruments

1. The subsidiary MLI

The subsidiary MLI's derivative instruments includes forward foreign exchange contracts, foreign exchange swaps contracts, and cross currency swaps contracts. Relevant information is as follows:

(1) Type, purpose, contract (principal) value and carry amount

The subsidiary MLI's forward foreign exchange contracts, foreign exchange swaps contracts, and cross currency swaps contracts are mainly used to avoid the risk arise from changing in interest rate.

The subsidiary MLI's hedging strategy is aimed to avoid most of the market price risk. The subsidiary MLI uses derivatives (which fair values are inversely proportional to the assets being hedged) as hedging instruments and assesses it regularly. However, the derivatives do not meet the conditions of hedge accounting, thus, they are classified as financial assets held for trading. The details of the derivative instruments held by the subsidiary MLI which does not meet the conditions of hedge accounting are as follows:

	December 31, 2020		
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$4,686,573	USD	$8,328,000
Cross currency swaps contracts	566,673	USD	720,000
Structured bonds	579,168	USD	20,000
	$5,832,414		
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$1,699,941	USD	$6,234,000
Forward foreign exchange contracts	71,753	NZD	127,800
Forward foreign exchange contracts	159,606	AUD	168,700
Forward foreign exchange contracts	47,907	CNH	1,950,000
Futures	108	-	-
	$1,979,315		

	December 31, 2019		
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$ 6,541,819	USD	$14,487,000
Forward foreign exchange contracts	8,000	SGD	54,600
Cross currency swaps contracts	52,114	USD	70,000
Structured bonds	7,778,710	USD	260,000
	$14,380,643		
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$130,276	USD	$170,000
Forward foreign exchange contracts	53,373	NZD	92,500
Forward foreign exchange contracts	67,528	AUD	150,000
	$251,177		

(2)Fair Value

The fair value of the derivative is the amount that the subsidiary MLI may claim or have to pay if the contract is terminated on the reporting date. It generally includes unrealized gains and losses from outstanding contracts for the current period. The fair value of the subsidiary MLI's derivatives is calculated from the quotation of financial institutions.

The subsidiary MLI's futures for hedging purpose on December 31, 2020 is as follows:

December 31, 2020					
Open Interest					
Item	Type	Buyer/Seller	Open position	Amount	Fair Value
Futures contract	Taiwan Stock Price Index Future	Seller	1	$2,828	$(108)

The futures of the subsidiary MLI held on December 31, 2019 were closed.

On December 31, 2020 and 2019, the margin paid for futures exchange were $1,133,469 thousand and $1,539,950 thousand, respectively. The margins were classified under guarantee deposits.

(3)Presentation of derivatives on financial statement

Derivatives of the subsidiary MLI (including forward foreign exchange, cross currency swaps, structured deposit and convertible corporate bonds conversion rights) presented under balance sheet are as follows:

	December 31, 2020	December 31, 2019
Financial assets at FVPTL	$5,832,414	$14,380,643
Financial liabilities at FVPTL	$1,979,315	$251,177

12.7 Nature and extent of risks from insurance contracts of the subsidiary MLI

1. Objectives, policies, processes and methods for managing risks arising from insurance contracts.

(1) Risk management's structure, organization and the authority scope

A. Board of directors

a. In order to integrate the planning, implementation, supervision and coordination of the risk management, the “Risk Management Committee” is set up under the Board of directors and the Risk Management Department is set up to execute risk management matters.

b. The board of directors is the highest decision-making unit in establishing an effective risk management system for the subsidiary MLI, and assumes the ultimate responsibility for overall risk management.

c. The board of directors should approve the risk management policies and major decisions in accordance with the overall business environment and strategy, and ensure the effective operation of the risk management mechanism.

B. Risk Management Committee

a. The Committee is responsible to conduct risk management policies and procedures, implement risk management decisions of the Board of Directors, and regularly submit risk assessment reports to the Board.

b. Monitoring all kinds of risks and establishing their management indicators, and coordinating risk management functions with interaction and communication between each departments.

C. Risk Management department

a. The department is responsible for aggregating, measuring and monitoring the subsidiary MLI's overall risk information, and regularly submitting risk assessment reports.

b. Implementing the risk management decisions, coordinating and communicating to various departments' risk management mechanism. When necessary, giving recommendations of risk management for each departments' decision-making.

D. Relevant departments of the subsidiary MLI

a. Risk management operations should be carried out in accordance with risk management procedures, manage their daily risks, take the necessary response measures, and submit relevant reports in a timely manner.

b. Should provide timely, reliable risk information, and feasible, effective control measures based on the needs of risk management.

E. Audit unit

a. Examine the relevant departments' risk management implementation according to the relevant laws and regulations.

(2) The scope and nature of the risk reporting and measurement system

A.Method used: Effective duration or effective convexity analysis, cash flow management, deterministic scenario testing and stress testing.

B.Relevant assumptions and parameters: Setting the system based on the needs of various measurement methods, the data gathered from domestic or foreign research, and practical experience.

C. Advantages and limitations of various measurement methods:

a. Effective duration or effective convexity analysis

—Advantages: It is easy to calculate, and able to measure fixed-income assets with options.

—Limitations: If the yield curve is moving in parallel, then it is unable to measure non-parallel movement.

b. Cash flow management

— Advantages: Enhance the effectiveness of decision-making, strengthen financial control, and reflect the ability to continue to operate.

— Limitations: The estimate of the cash flow may be subjective, and the estimated future cash flow may not reflect the actual situation.

c. Deterministic Scenario Testing

— Advantages: It is able to consider multiple variables change at the same time, and able to analyze and calculate the possibilities for a particular situation.

— Limitations: Only some specific situations can be tested, the scenario of the change is subjective and it is not able to consider the situations of nonlinear relationship or extreme risk.

d. Stress test

— Advantages: It is able to measure the losses that may occur in a particular extreme situation.

— Limitations: It is unable to measure the possibility of a particular extreme situation.

(3) The procedures for ensuring, monitoring, supervising and controlling insurance risks, and policies to ensure appropriate risk classification and premium level.

A. Insurance risk management procedures.

a. The relevant departments shall identify the risks that may arise from its business.

b. The relevant departments shall analyze the possibility of the risk and the impact on the subsidiary MLI as the basis for the management and monitoring of the subsequent risks.

c. The relevant departments should measure and summarize the risks, and take appropriate response.

B. Underwriting policy

The objectives of the subsidiary MLI is not only in promoting business development, but also in risk control planning. The underwriting principles are as follows.

a. Design the proper investments base on the clients' incentives, demand, financial status, and payment capacity.

b. If necessary, request the policyholder to provide relevant documents, medical reports, and reasonably adjust the investment contract.

c. Insurance with significant amount must be provided with financial notice and medical report, and carry out the necessary credit investigation by the subsidiary MLI.

d. The underwriters should evaluate the policyholders, give the policyholders "annotation", "fee limit" or "decline" based on the health status.

e. Stipulate rules for uninsurable object.

(4) Assessing and managing the insurance risks on the corporate base.

The principal risks of the subsidiary MLI's issuance of insurance contracts are as follows.

A. Capital allocation risk: Risks arose from asset allocation that is not appropriate for characteristics of commodities.

B. Reinsurance risk: Risks arose from improper reinsurance planning.

C. Underwriting risk: Risks arose from improper underwriting control.

D. Commodity structure risk: Risks arose from improper product design and pricing.

(5) Limit or transfer risk exposure and avoid inappropriate risk concentration.

For the risks above, the subsidiary MLI's methods are as follows:

A. Capital allocation planning: Reduce the risk of capital allocation through investment risk control and interest rate risk control, and effectively manage the risk of interest rate fluctuations in the portfolio.

B. Reinsurance planning: Through reinsurance, transfer all or part of the risk to the third party.

C. Underwriting control: Conduct insured limit, insured age limit, underwriting policies, risk control measures and necessary sales descriptions to reduce the risk of underwriting.

D. Commodity structure design: Conduct cost analysis, check the ratio of the annual termination fee and the premiums paid for each policy, compared with similar products in the industry to ensure the design, pricing, and the rationality of the structure.

(6) Assets and liabilities management

A. Risk identification include at least three of the following factors.

a. Market risk: Mainly due to changes in interest rates, causing the difference between the change of price in assets and liabilities.

b. Liquidity risk: Mainly refers to the absence of sufficient cash or liquidity assets to meet cash expenditures.

c.Insurance risk: Mainly refers to the behavior of the guarantor causing cash flow of liabilities and assets cannot corporate to each other.

B. Risk measurement methods are as follows:

a. Effective duration or effective convexity analysis.

b. Cash flow management

c. Deterministic scenario analysis

d. Stress test

C. Risk response：Measure and summarize the risks and submit them regularly to the Risk Management Committee for review and discussion in order to conduct appropriate and feasible response.

a. Risk avoidance: Not to engage or carry out the business activities or trade its assets and commodities.

b. Risk transfer: Transfer all or part of the asset or liability risk to the third party through reinsurance or hedging.

c. Risk control: Take appropriate control measures to reduce the possibilities of risk and the negative impacts.

2. Insurance contracts' credit risk, liquidity risk and market risk.

(1) Credit risk

To the subsidiary MLI, the credit risk includes the risk that the reinsurer will fail to meet the obligations of the reinsurance contract, causing loss to the insurer. Financial guarantee contract means that the guarantor must make up for the loss of the contract holder when the debtor cannot pay the debt. The subsidiary MLI does not hold a financial guarantee contract. To avoid the above risks, the subsidiary MLI follow the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" to arrange reinsurance. Also, these reinsurance companies have certain credit rating which meet the requirements of reinsurer, and the credit ratings are periodically evaluated .

According to "The Provision of Unqualified Reinsurance Reserve" fifth point, the Company disclosed the ceding of the unqualified reinsurance in its financial statements and the substance including the summary of unqualified reinsurance contracts and related sort, unqualified reinsurance expense, the amount of the unqualified reinsurance reserve, and the principled summary of the composition.

(2) Liquidity risk

The subsidiary MLI uses cash flow maturity analysis to assess liquidity risk. The liquidity risk of the subsidiary MLI's insurance contract (net cash outflow (Inflow)) on December 31, 2020 and 2019 are as follows:

Unit: Million dollar

	December 31, 2020				
	Less than 1 year	1~3 years	3~5 years	5~15 years	Above 15 years
Insurance liabilities with discretion to participate in the characteristic investment contract	$(10,380)	$(8,682)	$1,101	$242,222	$3,141,145

Unit: Million dollar

	December 31, 2019				
	Less than 1 year	1~3 years	3~5 years	5~15 years	Above 15 years
Insurance liabilities with discretion to participate in the characteristic investment contract	$(32,553)	$(18,612)	$(2,247)	$221,641	$3,186,995

Note: The form above is not able to do reference with the subsidiary MLI's balance sheet, due to the contract is not discounted cash flow analysis of the maturity date, including the future renewal of premium income cash inflows.

(3) Market risk：

A. When the subsidiary MLI assesses the properness of the insurance liabilities, the subsidiary MLI's overall return on investment (ROI) is the basis for discounting, so the market risk is reflected in the discount rate. Market risk includes at least the following four risk factors.

a. Interest rate risk: Refers to the impairment of assets due to the changes of interest rate.

b. Exchange rate risk: Refers to the impairment of assets due to the changes of exchange rates.

c. Equity securities risk: Refers to the impairment of market value due to the fluctuation of equity asset price.

d. Commodity risk: Refers to the impairment of market price due to the fluctuation of commodity price.

B. Market risk measurement: The subsidiary MLI performs discount rate sensitivity analysis to measure the impact of market risk.

C. Measurements to reduce the impact causing by changes in market.

a. Assets: Regularly calculate market risk, and conduct periodic risk reports to understand the market risk of the assets.

b. Liabilities: Issuance of separate account contracts and floating rate contracts to reduce the market risk.

c. Assets and liabilities: Reduce the duration differences between assets and liabilities to reduce the impact of market risk.

3. When derivative embedded commodity is not measured at fair value, the market risk of the derivative embedded commodity is as follows:

(1) The subsidiary MLI issues three types of derivative embedded commodity that are not valued at market price.

A. First type: The contract holder has the option to terminate the contract on agreed value.

B. Second type: Derivative embedded commodity with guaranteed minimum interest rate: the interest rate is used to determine the termination value or the maturity value, and the contract is issued at the money or out of the money, and without the leverage effect.

C. Third type: The death benefit is the greater of the following.

a. The unit value of investment fund (equivalent to the compensation for termination or maturity value)

b. Guaranteed minimum payment.

(2) Market risk exposure information.

A. First type: The subsidiary MLI's overall return on investment is lower than the average estimated interest rate.

B. Second type: The subsidiary MLI's overall return on investment or segmental return on assets is lower than the estimated interest rate.

C. Third type: Value of the separate account declined rapidly, resulted in value lower than guaranteed minimum amount of the death benefits, thus the cost of life insurance is insufficient.

4. Insurance risk information.

(1)Sensitivity of insurance risk- Insurance contract and financial products with discretionary participation.

The subsidiary MLI's information on the impact of net income before tax and equity.

Unit: Thousand dollar

Actuarial assumptions	December 31, 2020		
	Change assumption	Effect on profits before tax	Effect on equity
Life table / morbidity	+10%	$(1,406,918)	$(1,125,534)
	-10%	1,406,918	1,125,534
Return on investment / discount rate	+0.25%	2,907,073	2,325,658
	-0.25%	(2,907,073)	(2,325,658)
Fee	+10%	(416,029)	(332,823)
	-10%	416,029	332,823
Retreat rate and termination rate	+10%	162,805	130,244
	-10%	(162,805)	(130,244)

Unit: Thousand dollar

Actuarial assumptions	December 31, 2019		
	Change assumption	Effect on profits before tax	Effect on equity
Life table / morbidity	+10%	$(1,316,399)	$(1,053,119)
	-10%	1,316,399	1,053,119
Return on investment / discount rate	+0.25%	2,730,948	2,184,758
	-0.25%	(2,730,948)	(2,184,758)
Fee	+10%	(423,984)	(339,187)
	-10%	423,984	339,187
Retreat rate and termination rate	+10%	177,663	142,130
	-10%	(177,663)	(142,130)

The table illustrates the impact of changing in net income before tax refers of the subsidiary MLI for the years ended December 31, 2020 and 2019. Impact of equity is based on 20% tax rate.

(2) Description of Insurance risk concentration

A. When identifying insurance risk concentration, excludes the factor of reinsurance, the following situations may cause insurance risk concentration.

a. Currently, the subsidiary MLI does not cover contracts with risk that the occurrence is low but the impact is significant.

b. Risk exposure of multiple contracts causing by one single situation such as significant terrorist attack.

c. Risk exposure caused by unexpected changes, such as mortality rate, morbidity, or changing behavior of the insured.

d. Significant changes of financial market conditions, causing the policyholders' option becomes in the money.

e. Significant lawsuit or legal risk, resulting in a significant loss in a single or multiple contracts, such as large sum of indemnity and reputation loss after losing the lawsuit.

f. The interrelationships and interactions between risks, such as the underwriting policy may be for clients that have specific behavior.

g. A key variable is close to a significant factor to influence the future cash flow in nonlinear relationship.

h. Regional and industrial risks, the subsidiary MLI's business in the north, middle and south three areas, marketing objects are not targeted for specific groups. This items should be insurance risk diversification.

B. In accordance with "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves," the subsidiary MLI set aside special catastrophe reserve to cover significant claims resulting from major accidents that will incur in the future, and special risk volatility to cover change in loss rate by each type of insurance and abnormal claims. On January 1, 2011, the annual increase in deposits should be in accordance with the IAS 12 after deducting the income tax under other comprehensive income of shareholder's equity.

(3) Claims development trend

The accumulated claims amount of the subsidiary MLI on December 31, 2020 and 2019 are as follows:

A. Claims development trend of direct business.

December 31, 2020

Accident Year	Years of development									Claims Reserve
	0	1	2	3	4	5	6	7	8	
2012	2,961,202	3,637,724	3,705,026	3,728,376	3,740,360	3,744,586	3,757,409	3,757,409	3,757,409	7,376
2013	3,073,539	3,830,498	3,913,358	3,924,586	3,930,775	3,941,696	3,941,696	3,941,696	3,941,696	2,100
2014	3,338,136	4,124,064	4,213,515	4,229,425	4,241,090	4,256,184	4,256,184	4,256,184	4,256,184	4,069
2015	3,676,775	4,542,442	4,632,340	4,667,449	4,689,284	4,705,705	4,705,705	4,705,705	4,705,705	4,085
2016	4,125,335	5,152,190	5,301,784	5,376,913	5,414,709	5,431,651	5,431,651	5,431,651	5,431,651	17,884
2017	3,321,722	4,084,430	4,165,036	4,179,806	4,188,489	4,191,302	4,191,302	4,191,302	4,191,302	11,496
2018	4,105,120	4,994,680	5,079,467	5,099,538	5,110,190	5,113,553	5,113,553	5,113,553	5,113,553	34,087
2019	4,835,230	5,816,526	5,914,211	5,936,344	5,947,629	5,951,124	5,951,124	5,951,124	5,951,124	134,598
2020	5,257,314	6,362,132	6,466,603	6,489,983	6,501,935	6,505,544	6,505,544	6,505,544	6,505,544	1,248,230

Total	1,463,925
Reported unpaid claims- long- term insurance	240,824
	$1,704,749
Unreported unpaid claims reserve	$1,288,170
Add: Reported but not approved claims (exclude contracts with financial product nature)	416,579
Balance of claims reserve	$1,704,749

December 31, 2019

Accident Year	Years of development								Claims Reserve
	0	1	2	3	4	5	6	7	
2012	2,961,202	3,637,724	3,705,026	3,728,376	3,740,360	3,744,586	3,757,409	3,757,409	6,135
2013	3,073,539	3,830,498	3,913,358	3,924,586	3,930,775	3,941,696	3,941,696	3,941,696	2,979
2014	3,338,136	4,124,064	4,213,515	4,229,425	4,241,090	4,256,184	4,256,184	4,256,184	5,739
2015	3,676,775	4,542,442	4,632,340	4,667,449	4,681,936	4,698,755	4,698,755	4,698,755	17,103
2016	4,125,335	5,152,190	5,301,784	5,343,962	5,362,987	5,382,489	5,382,489	5,382,489	40,180
2017	3,321,722	4,084,430	4,165,036	4,180,703	4,188,528	4,197,254	4,197,254	4,197,254	32,218
2018	4,105,120	4,994,680	5,085,901	5,104,820	5,114,310	5,125,215	5,125,215	5,125,215	130,535
2019	4,835,230	5,877,780	5,980,249	6,001,455	6,012,058	6,026,132	6,026,132	6,026,132	1,190,901
				Total					1,425,790
				Reported unpaid claims- long- term insurance					179,755
									$1,605,545
				Unreported unpaid claims reserve					$1,265,870
				Add: Reported but not approved claims (exclude contracts with financial product nature)					339,675
				Balance of claims reserve					$1,605,545

B. Claims development trend of retention business

December 31, 2020

Accident Year	Years of development									Claims Reserve
	0	1	2	3	4	5	6	7	8	
2012	2,955,809	3,626,644	3,693,946	3,717,296	3,729,063	3,733,289	3,746,112	3,746,112	3,746,112	7,376
2013	3,069,522	3,823,459	3,906,315	3,917,543	3,923,732	3,934,731	3,934,731	3,934,731	3,934,731	2,100
2014	3,329,954	4,115,758	4,204,403	4,220,261	4,231,926	4,247,020	4,247,020	4,247,020	4,247,020	4,069
2015	3,666,549	4,525,082	4,614,119	4,649,228	4,671,063	4,687,484	4,687,484	4,687,484	4,687,484	4,085
2016	4,110,406	5,127,656	5,276,209	5,350,309	5,385,242	5,402,163	5,402,163	5,402,163	5,402,163	17,863
2017	3,312,168	4,072,218	4,151,157	4,165,926	4,173,107	4,175,905	4,175,905	4,175,905	4,175,905	9,979
2018	4,079,265	4,962,152	5,042,634	5,061,576	5,070,262	5,073,559	5,073,559	5,073,559	5,073,559	30,925
2019	4,823,566	5,800,141	5,896,015	5,917,157	5,926,590	5,930,076	5,930,076	5,930,076	5,930,076	129,935
2020	5,242,219	6,335,439	6,437,634	6,459,872	6,469,961	6,473,520	6,473,520	6,473,520	6,473,520	1,231,301

December 31, 2019

Accident Year	Years of development								Claims Reserve
	0	1	2	3	4	5	6	7	
2012	2,955,809	3,626,644	3,693,946	3,717,296	3,729,063	3,733,289	3,746,112	3,746,112	6,135
2013	3,069,522	3,823,459	3,906,315	3,917,543	3,923,732	3,934,731	3,934,731	3,934,731	2,979
2014	3,329,954	4,115,758	4,204,403	4,220,261	4,231,926	4,247,020	4,247,020	4,247,020	5,739
2015	3,666,549	4,525,082	4,614,119	4,649,228	4,663,715	4,680,376	4,680,376	4,680,376	16,945
2016	4,110,406	5,127,656	5,276,209	5,317,359	5,334,217	5,353,401	5,353,401	5,353,401	37,695
2017	3,312,168	4,072,218	4,151,157	4,166,750	4,172,218	4,180,750	4,180,750	4,180,750	29,594
2018	4,079,265	4,962,152	5,050,963	5,069,673	5,076,354	5,086,707	5,086,707	5,086,707	124,555
2019	4,823,566	5,861,190	5,961,900	5,983,031	5,990,759	6,004,431	6,004,431	6,004,431	1,180,998

The subsidiary MLI recognizes the claims reserve based on expected future payments and handling charges of both reported and unreported claims. Provision for claims reserves contains highly complexity because it involves many uncertainties, estimations, and judgments. Any changes in estimation and judgment are regarded as changes in accounting estimates; the effect from the changes will book in the net income of current period. Some claims might be delayed to report to the subsidiary MLI. When estimating the expected possible claims of unreported claims, the subsidiary MLI may get involved in previous claim experiences and subjective judgments. Therefore, the claims reserve recognized at balance sheet date cannot be confined as the same as the final claims payments. Claims reserve recognized is estimated based on the current available information. However, the final result may be departed from the initial estimation subject to the subsequent claims development.

The tables above present the development trend of claim. Each accident year means claim year, the horizontal represents the development years of the claim, and each bold line represents the accumulated incurred claims amount of each accident year on December 31. The claims amount contains the approved and non-approved claims that express the way the subsidiary MLI estimates claims amount of each accident year through time passing. Situations and trends that affecting amount of setting aside for reserves may differ in the future. Therefore, expected future claims payments will not be decided by the table above.

12.8 Involvement with unconsolidated structured entities

The subsidiary MLI holds the following structured entities. The assessment shows that the subsidiary MLI has no control over its entities and is not exposed to their variable returns. Therefore, they are not consolidated into the subsidiary MLI's financial report.

Type	Nature and purpose	Interest of the Company
Securitization vehicles	The subsidiary MLI purchases securitization vehicles to gain profits, interests and other incomes to improve its investment income, including fixed-income securities, financial asset securitization beneficial securities, asset-backed commercial paper conduit, collateralized loan obligations, and mortgage- backed securitizations. The vehicles were financed by issuing various level (tranche) bonds to investors.	Securitization vehicles
Private equity fund	The subsidiary MLI invests in the private equity fund and manages the trust assets by the third party, and then distributes the fund proceeds to the consolidated company to increase the investment income. The vehicles are financed by issuing the funds (unit) to the investors.	Unit of the private equity funds
REIT securities	The subsidiary MLI invests in titles or issues certificates on REIT funds delivered by the trustee, evidencing the beneficiary interests in the trust property in terms of the principal and profits, interest, and other proceeds accrued. The vehicles were financed by issuing the document of the titles or the certificate on REIT funds delivered by the trustee.	Unit of REIT securities
Transfer of REIT	The subsidiary MLI invests in the transfer of REIT in order to benefit from the proceeds of the development or sale of the property. The vehicles are financed by issuing the transfer of trusts to the investors.	Unit of REIT securities

The subsidiary MLI considers the natures of various structured entities, and disclosure its scale of net assets, total assets or total outstanding principal. Those scales on December 31, 2020 and 2019 are as follows.

	Scale	December 31, 2020	December 31, 2019
Securitization vehicles	Total balances	$24,612,730	$35,399,021
Private equity fund	Total outstanding principal	10,082,831	7,295,577
REIT beneficiary securities	Total outstanding principal	325,214,031	430,263,670
Total		$359,909,592	$472,958,268

The following table summarizes the carrying amount of the subsidiary MLI's maximum exposure to loss from its involvement with its unconsolidated structured entities on December 31, 2020 and 2019.

December 31, 2020	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Total
Securitization vehicles	$579,169	$-	$13,294,000	$13,873,169
Private equity fund	981,834	-	-	981,834
REIT beneficiary securities	304,719	-	-	304,719
Total	$1,865,722	$-	$13,294,000	$15,159,722

December 31, 2019	Financial assets measured at FVTPL	Financial assets measured at FVOCI	Financial assets measured at amortized cost	Total
Securitization vehicles	$7,778,710	$-	$15,356,408	$23,135,118
Private equity fund	632,758	-	-	632,758
REIT beneficiary securities	404,147	-	-	404,147
Total	$8,815,615	$-	$15,356,408	$24,172,023

For the years ended December 31, 2020 and 2019, the subsidiary MLI didn't provide unconsolidated structured entities financial or other support, and had no intention to provide structured entities financial or other support, either. For the years ended December 31, 2020 and 2019, loss related to interest of unconsolidated structured entities didn't occur.

12.9 Transfer of financial assets of the subsidiary MLI

December 31, 2020			
Transfer of financial assets	Book value of transferred financial assets	Fair value of transferred financial assets	Net fair value
Available-for-sale financial assets Securities lending agreement	$415,522	$415,522	$415,522

There was no transfer of financial assets on December 31, 2020.

12.10 The assets and liabilities of the subsidiary MLI are expected to be recovered or paid within twelve months after the end of the reporting period, and the amount recovered or paid in more than twelve months:

	December 31, 2020		
	Less than twelve month	More than twelve month	Total
Assets			
Cash and cash equivalents	$146,181,928	$-	$146,181,928
Accounts receivables	9,142,186	-	9,142,186
Current income tax assets	1,511,633	-	1,511,633
Investments	80,076,964	965,485,377	1,045,562,341
Reinsurance contract assets	861,360	-	861,360
Property and equipment	-	8,418,496	8,418,496
Right-of-use assets	-	258,515	258,515
Intangible assets	-	116,219	116,219
Other assets	82,203	6,056,519	6,138,722
Liabilities			
Accounts payables	6,724,569	-	6,724,569
Current income tax liabilities	59,547	-	59,547
Financial liabilities at fair value through profit or less	1,979,315	-	1,979,315
Bonds payable	-	7,500,000	7,500,000
Lease liabilities	151,267	108,839	260,106
Insurance liabilities	28,482,414	1,130,749,587	1,159,232,001
Reserve for fluctuation of foreign exchange	-	250,644	250,644
Provisions	25,155	1,182,618	1,207,773
Other liabilities	390,470	2,476,763	2,867,233

	December 31, 2019		
	Less than twelve month	More than twelve month	Total
Assets			
Cash and cash equivalents	$94,480,586	$-	$94,480,586
Accounts receivables	9,715,726	-	9,715,726
Current income tax assets	1,502,455	-	1,502,455
Investments	82,775,463	955,738,672	1,038,514,135
Reinsurance contract assets	986,230	-	986,230
Property and equipment	-	8,442,542	8,442,542
Right-of-use assets	-	185,661	185,661
Intangible assets	-	109,047	109,047
Other assets	51,003	6,599,268	6,650,271
Liabilities			
Accounts payables	6,478,549	-	6,478,549
Financial liabilities at fair value through profit or less	251,177	-	251,177
Bonds payable	-	7,500,000	7,500,000
Lease liabilities	105,014	80,101	185,115
Insurance liabilities	28,762,783	1,072,808,006	1,101,570,789
Reserve for fluctuation of foreign exchange	-	1,253,221	1,253,221
Provisions	29,465	1,325,303	1,354,768
Other liabilities	669,937	2,515,392	3,185,329

12.11 The subsidiary MLI's information of outsourcing of investment management service

Outsourcing Company	Outsourcing Investment Items	December 31, 2020		December 31, 2019	
		Outsourcing Amount		Outsourcing Amount	
A	Domestic stocks	NTD	5,000,000	NTD	4,000,000
D	Foreign bonds and equities investment	USD	25,000	USD	68,000

12.12 Unqualified reinsurance reserve

1. The summary of unqualified reinsurance contracts and related sort of the subsidiary MLI are as follows:

Reinsurance companies	Contract sort	Period
Trust International Insurance and Reinsurance CO. B.S.C. (C)	Catastrophe reinsurance	2017.01.01~2017.12.31
	Catastrophe reinsurance	2018.01.01~2018.12.31
	Travel accident reinsurance	2017.01.01~2017.12.31

2. The above companies didn't have credit rating since December 5, 2018, according to the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", these company became unqualified reinsurer. The reinsurance contracts are all one-year reinsurance contracts, and for the years ended December 31, 2020 and 2019, the reinsurance expense (benefit) are $0 thousand and $(35) thousand, respectively.

3. The amount of unqualified reinsurance reserve on December 31, 2020, and 2019 were $0 thousand respectively.

12.13 Reorganization and spin-off information

Due to long-term strategic development, enhance the overall competitiveness and operating performance, the boards of directors of the subsidiaries MA and MF&B resolved to transfer the relevant business (including assets, liabilities, and business) of the food division of MA to MF&B on January 1, 2019. MF&B issued new shares to the shareholders of MA. Book value of assets and liabilities of MA are as follows:

Assets:	Amount
Cash and cash equivalents	$54,593
Accounts receivable and notes receivable	513
Inventory-net	103,908
Prepayments	19,374
Other current assets	620
Property, plant and equipment	737,526
Other non-current assets	63,327
Subtotal	$979,861

Liabilities:	Amount
Short-term borrowings	$183,000
Account payables and notes payable	110,580
Other Payables	282,855
Other current liabilities	13,951
Long-term borrowings	80,000
Provisions	3,017
Other non-current liabilities	6,458
Subtotal	679,861
Net assets	$300,000

MA processed a capital reduction of 300,000 thousand and retired 30,000 thousand outstanding shares. After capital reduction, the paid-in capital of MA is 400,000 thousand with 40,000 thousand shares. In addition, MF&B issued 20,000 thousand new shares value at 300,000 thousand to the shareholders of MA.

12.14 Seasonality of operations

The operations of the Company and its subsidiaries are not affected by seasonality or periodicity.

13 SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions information and Information on investees：

1. Loans to others：Appendix 1.
2. Provision of endorsements and guarantees to others: ：Appendix 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Appendix 3.
4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Appendix 4.

8. Receivables from related partied reaching NT$100 million or 20% of paid-in capital or more: None

9. Derivative financial instruments undertaken during the year ended December 31, 2020: Please refer to Notes 12.6.

10. Significant inter-company transactions during the reporting periods: Appendix 5.

11. Information on investees: Appendix 6.

13.2 Information on investment in mainland China:

1. The Company has resolved by the board of directors to invest USD 5,000 thousand in Foodservice, and further invested in Mercuries Bakery (shanghai) Ltd. (MB Shanghai) through Foodservice. The investment was approved by the Investment Commission MOEA No. 10100187460 on May 14, 2012 and No. 10000491270 on November 18, 2011.

   MB Shanghai seased its operation and liquidated on December 18, 2019. The remaining assets of USD 174 thousand has been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900238140 on August 25, 2020.

2. The Company has resolved by the board of directors to invest USD 5,000 thousand in Tastynoodle, and further invested in Mercuries Foodservice (Shanghai) Ltd. (MF Shanghai) through Tastynoodle. The investment was approved by the Investment Commission MOEA No. 1010018747 on May 14, 2012 and No. 10000491290 on November 18, 2011.

   MF Shanghai seased its operation and liquidated on October 30, 2019. The remaining assets of USD 27 thousand has been repatriated to Tastynoodle. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900258870 on October 12, 2020.

3. The Company has resolved by the board of directors to invest USD 5,000 thousand in Family Shoemart, and further invested in Mercuries Rich Ltd. (MR) through Family Shoemart. The investment was approved by the Investment Commission MOEA No. 10100184740 on May 14, 2012 and No. 10000491290 on November 18, 2011.

   MR seased its operation and liquidated on July 27, 2020. The remaining assets of USD 390 thousand has been repatriated to Family Shoemart. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900320080 on November 10, 2020.

4. The subsidiary MFB has resolved by the board of directors to invest USD 1,000 thousand in Foodservice and further invested in MF Shanghai through Foodservice. The investment was approved by the Investment Commission MOEA No. 09600208890 on June 22, 2007.

   MF Shanghai seased its operation and liquidated on October 30, 2019. The remaining assets of USD 2 thousand has been repatriated to Foodservice. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900259000 on October 12, 2020.

5. The subsidiary MA has resolved by the board of directors to invest USD 4,000 thousand in Family shoemart and further invested in MR through Family Shoemart. The investment was approved by the Investment Commission MOEA No. 10600074280 on May 16, 2017. As December 31, 2017, USD 1,000 thousand has been remitted and verified by the Investment Commission MOEA No. 100700030140 on February 27, 2018.

   MR seased its operation and liquidated on July 27, 2020. The remaining assets of USD 54 thousand has been repatriated to Family Shoemart. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900320070 on November 10, 2020.

6. The subsidiary M.T.I. has resolved by the board of directors to invest USD 4,197 thousand in Foodservice and further invested in MB Shanghai. The investment was approval by the Investment Commission MOEA No. 09700098260 on April 8, 2008.

   MB Shanghai seased its operation and liquidated on December 18, 2019. The remaining assets of USD 174 thousand has been repatriated to Foodservice. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900238120 on August 25, 2020.

7. The subsidiary MF&B has resolved by the board of directors to invest USD 9,000 thousand in Foodservice and further invested in MF Shanghai, MB Shanghai and MR through Foodservice. The investment was approved by the Investment Commission MOEA No. 09900252760 on July 2, 2010, No. 09900391710 on October 4, 2010, and No. 09900555440 on January 3, 2011.

   MB Shanghai and MF Shanghai seased its operation and liquidated on December 18, 2019, and October 30, 2019, respectively. The remaining assets of USD 315 thousand and USD 11 thousand have been repatriated to Foodservice. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900249360 on October 12, 2020. In addition, MR seased its operation and liquidated on July 27, 2020. The remaining assets of USD 74 thousand has been repatriated to Foodservice. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900333970 on December 14, 2020.

8. The Company's investment type, amount and shareholding in Mainland China, please refer to appendix 7.

13.3 Major shareholders：

Unit: share

Shareholding / Shareholder's Name	Shares	Percentage
Shang Lin Investment Co., Ltd.	187,146,480	20.58%
Shu Ren Investment Co., Ltd.	129,054,542	14,19%
Shang Hung Investment Co., Ltd.	54,401,185	5.98%
Shu Feng Investment Co., Ltd.	50,625,811	5.56%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialized form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

14 Segment information:

14.1 General information

The Company and its subsidiaries belong to a comprehensive service industry, providing a group of service including insurance, food & beverage, pharmaceutical and IT integration. The board of directors and the management committee lead business strategies, evaluate business performance and allocate resources based on the status of service divisions.

14.2 Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement.

14.3 Information about segment profit or loss, assets and liabilities

The information on the segment departments of the company and its subsidiaries are as follows:

	2020									
	Retail	Food and beverage	Food	Pharmaceutical	Life insurance	IT service	Others	Adjustments		Total
Revenue from external customers	$17,559,525	$4,746,461	$839,081	$2,741,637	$157,203,104	$3,058,534	$453,746	$24,057,222	Note	$210,659,310
Inter-segment revenue	45,009	135	133,134	-	28,860	21,419	33,055	(261,612)		-
Total segment revenue	$17,604,534	$4,746,596	$972,215	$2,741,637	$157,231,964	$3,079,953	$486,801	$23,795,610		$210,659,310
Inter-segment profit (loss)	$425,173	$401,862	$81,260	$455,215	$1,740,311	$135,232	$(67,067)	$-		$3,171,986
Segment assets	$-	$-	$-	$-	$-	$-	$-	$-		$-

Note: it's adjusted the losses on financial assets (liabilities) at fair value through profit or loss of MLI.

	2019(Restated)									
	Retail	Food and beverage	Food	Pharmaceutical	Life insurance	IT service	Others	Adjustments		Total
Revenue from external customers	$16,363,263	$4,673,630	$776,893	$2,412,360	$178,998,918	$3,089,631	$284,700	$22,269,618	Note	$228,869,013
Inter-segment revenue	52,830	1,237	112,155	-	23,511	24,029	48,906	(262,668)		-
Total segment revenue	$16,416,093	$4,674,867	$889,048	$2,412,360	$179,022,429	$3,113,660	$333,606	$22,006,950		$228,869,013
Inter-segment profit (loss)	$154,221	$439,343	$66,013	$711,160	$4,934,190	$108,969	$(268,118)	$618,803	Note	$6,764,581
Segment assets	$-	$-	$-	$-	$-	$-	$-	$-		$-

Note: It's adjusted the losses on foreign exchange, losses on reclassification under the overlay approach and disposal profit of the investment property of MLI.

14.4 Reconciliation for segment profit (loss), assets and liabilities

The net profits or losses reported to the chief operating decision-makers are measured in a consistent manner with the income and expenses specified in the financial statement. The Company and its subsidiaries do not provide division information on the amounts of total assets and total liabilities to the operating decision-makers for relevant decision-making. Because there would be no difference between the statements provided to the operating decision-makers and the divisional financial statement.

14.5 Geographical information

The Company and its subsidiaries has no foreign operating segment.

14.6 Information of export sales: none

Appendix 1 Loans to others

UNIT：NTD (In Thousands)

Number (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason or short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)
													Item	Value		
1	MERCURIES DATA SYSTEMS LTD.	Mercuries Information Systems International	Other receivables	Yes	$20,000	$20,000	-	1.75%	2	-	Working capital	-	-	-	$222,019	$888,075

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2020.

Note 4: The column of ‘Nature of loan’ shall fill in “1” for ‘Business transaction’ or “2” for ‘Short-term financing’.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1)The nature of the loan is related to business transaction of MDS. Amount of the loan cannot exceed the amount of business transactions.

(2)Nature of the loan is related to financing necessity, total amount of loan cannot exceed 10% of net asset of MDS and the aggregate amount cannot exceed 40% of net asset of MDS.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Appendix 2 Provision of endorsements and guarantees to others:

UNIT：NTD (In Thousands)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31,2020	Actual Amount Drawn down	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulate endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsement/ guarantees by parent company to subsidiary	Provision of endorsement/ guarantees by subsidiary to parent company	Provision of endorsement / guarantees to the party in Mainland China
		Company name	Relationship with the endorser/ guarantor (Note 2)										
1	MERCURIES DATA SYSTEMS LTD.	MERCURIES DATA SYSTEMS LTD.	1	444,038 (Note 4)	8,000	8,000	8,000	-	0.36%	1,110,094 (Note 4)	N	N	N

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:
(1)Business transaction.
(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5)Mutual guarantee as required by the construction contract.
(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 2: Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 15% of the total net profit of the most recent financial statement.

Note 3: Total amount of provision of endorsements and guarantees to others cannot exceed 30% of total net profit of the most recent financial statement.

Note 4: 1.The total amount of accumulated external endorsements by the subsidiary MSD shall not exceed 50% of the net value of the latest financial statements of its verified by accountants.
2.The amount of the endorsement guarantee of the subsidiary MSD to a single enterprise shall not exceed 20% of the net value of the latest financial statements of the subsidiary its verified by an accountant.

Note 5: The MSD needs to procedure for handling endorsement/guarantee because of Import and export goods. The endorsement guarantee of MSD shall come from bank.

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries & Associates Holding, Ltd.	Common Stock	FIRST FINANCIAL HOLDING.	-	Financial assets at fair value through other comprehensive income-current	5	$110	-	$110	NA
Mercuries & Associates Holding, Ltd.	Common Stock	CHIAO-FU REAL ESTATE MANAGEMENT CORP.	-	Financial assets at fair value through other comprehensive income-non-current	100	45,141	2.00%	45,141	NA
Mercuries & Associates Holding, Ltd.	Common Stock	CONCORD VENTURE CAPITAL CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	3,124	11,634	3.12%	11,634	NA
Mercuries & Associates Holding, Ltd.	Common Stock	UNION OPTRONICS CORP.	-	Financial assets at fair value through other comprehensive income-non-current	366	6,938	0.69%	6,938	NA
Mercuries & Associates Holding, Ltd.	Common Stock	ADVANCE MATERIALS CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	2,158	11,133	1.84%	11,133	NA
Mercuries & Associates Holding, Ltd.	Common Stock	SEMICONDUCTOR CO., LTD	-	Financial assets at fair value through other comprehensive income-non-current	300	3,221	1.88%	3,221	NA
Mercuries & Associates Holding, Ltd.	Preferred Stock	MAGICAP VENTURE CAPITAL CO., LTD. PREFERRED SHARES A	-	Financial assets at fair value through other comprehensive income-non-current	363	36,674	1.66%	36,674	NA
Mercuries & Associates Holding, Ltd.	Common Stock	POWTEC ELECTROCHEMICAL CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	13,630	-	0.96%	-	NA
Mercuries & Associates Holding, Ltd.	Common Stock	VEEGO CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	400	-	2.22%	-	NA
Mercuries & Associates, Ltd.	Common Stock	ENERGENESIS BIOMEDICAL CO., LTD	-	Financial assets at fair value through other comprehensive income-non-current	322	11,850	0.54%	11,850	NA
Mercuries Data Systems Ltd.	Beneficiary certificates	NOMURA GLOBAL SHORT DURATION BOND FUDN	-	Financial assets at fair value through profit or loss-current	2,835	30,312	-	30,312	NA
Mercuries Data Systems Ltd.	Common Stock	SHINEWAVE CO. LTD.	-	Financial assets at fair value through other comprehensive income-non-current	1,072	12,297	10.00%	12,297	NA
Mercuries Data Systems Ltd.	Common Stock	EASYCARD INVESTMENT HOLDING CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	2,299	86,728	2.21%	86,728	NA

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries Data Systems Ltd.	Common Stock	LIFEPLUS CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	3,000	3,997	9.09%	3,997	NA
Mercuries Data Systems Ltd.	Common Stock	VEEGO CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	600	-	3.33%	-	NA
Mercuries Data Systems Ltd.	Common Stock	SHUN TAK HOLDINGS LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	490	4,900	19.69%	4,900	NA
Mercuries Data Systems Ltd.	Preferred Stock	TAISHIN FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss-non-current	2,000	105,200	0.40%	105,200	NA
Mercury Fu Bao Co., Ltd.	Common Stock	ENERGENESIS BIOMEDICAL CO., LTD	-	Financial assets at fair value through profit or loss-non-current	595	29,250	1.00%	29,250	NA
Mercury Fu Bao Co., Ltd.	Common Stock	CONCORD VENTURE CAPITAL CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	4,686	17,465	4.69%	17,465	NA
Mercury Fu Bao Co., Ltd.	Common Stock	SYSJUST CO., LTD	-	Financial assets at fair value through other comprehensive income-non-current	114	5,272	0.43%	5,272	NA
Mercury Fu Bao Co., Ltd.	Common Stock	MERCURIES & ASSOCIATES HOLDING, LTD.	investment accounted under the equity method	Financial assets at fair value through other comprehensive income-non-current	43,985	910,489	4.84%	910,489	NA
Mercury Fu Bao Co., Ltd.	Common Stock	POWTEC ELECTROCHEMICAL CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	4,697	-	0.33%	-	NA
Mercuries General Media, Inc.	Common Stock	MERCURIES & ASSOCIATES HOLDING, LTD.	investment accounted under the equity method	Financial assets at fair value through other comprehensive income-non-current	2,914	60,312	0.32%	60,312	NA
Mercuries Harvest Co., Ltd.	Common Stock	MERCURIES & ASSOCIATES HOLDING, LTD.	investment accounted under the equity method	Financial assets at fair value through other comprehensive income-non-current	5,629	116,517	0.62%	116,517	NA
SCI Pharmtech Inc.	Beneficiary certificates	UPAMC JAMES BOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	2,760	46,477	-	46,477	NA
SCI Pharmtech Inc.	Beneficiary certificates	CATHAY TAIWAN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	4,093	51,305	-	51,305	NA

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
SCI Pharmtech Inc.	Beneficiary certificates	TAISHIN 1699 MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	3,592	49,019	-	49,019	NA
SCI Pharmtech Inc.	Beneficiary certificates	NOMURA TAIWAN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	1,273	20,940	-	20,940	NA
SCI Pharmtech Inc.	Beneficiary certificates	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	3,022	45,174	-	45,174	NA
SCI Pharmtech Inc.	Beneficiary certificates	YUANTA USD MONEY MARKET Fund USD	-	Financial assets at fair value through profit or loss -non-current	99	30,151	-	30,151	NA
SCI Pharmtech Inc.	Beneficiary certificates	NOMURA GLOBAL SHORT DURATION BOND FUND	-	Financial assets at fair value through profit or loss -non-current	2,840	30,371	-	30,371	NA
SCI Pharmtech Inc.	Beneficiary certificates	CTBC HWA-WIN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	4,064	45,146	-	45,146	NA
SCI Pharmtech Inc.	Beneficiary certificates	FUBON CHINA POLICY BANK BOND ETF	-	Financial assets at fair value through profit or loss -non-current	420	8,236	-	8,236	NA
SCI Pharmtech Inc.	Beneficiary certificates	YUANTA DE-LI MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	2,744	45,116	-	45,116	NA
SCI Pharmtech Inc.	Beneficiary certificates	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	3,568	45,130	-	45,130	NA
SCI Pharmtech Inc.	Preferred Stock	FUBON S&P PREFERRED STOCK	-	Financial assets at fair value through profit or loss -non-current	793	49,404	-	49,404	NA
SCI Pharmtech Inc.	Preferred Stock	FUBON S&P PREFERRED STOCK B	-	Financial assets at fair value through profit or loss -non-current	36	2,250	-	2,250	NA
SCI Pharmtech Inc.	Preferred Stock	TAISHIN FINANCIAL HOLDING CO., LTD. PREFERRED STOCK E	-	Financial assets at fair value through profit or loss -non-current	400	21,040	-	21,040	NA
SCI Pharmtech Inc.	Preferred Stock	CATHAY FINANCIAL HOLDING CO., LTD. PREFERRED STOCK A	-	Financial assets at fair value through profit or loss -non-current	790	48,822	-	48,822	NA

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
SCI Pharmtech Inc.	Preferred Stock	CATHAY FINANCIAL HOLDING CO., LTD. PREFERRED STOCK B	-	Financial assets at fair value through profit or loss -non-current	33	2,077	-	2,077	NA
SCI Pharmtech Inc.	Preferred Stock	FUBON S&P US PREFERRED STOCK	-	Financial assets at fair value through profit or loss -non-current	2,350	39,644	-	39,644	NA
SCI Pharmtech Inc.	Preferred Stock	CTBC FINANCIAL HOLDING CO., LTD. PREFERRED STOCK B	-	Financial assets at fair value through profit or loss -non-current	685	43,429	-	43,429	NA
SCI Pharmtech Inc.	Preferred Stock	SHINE KONG FINANCIAL HOLDINGS PREFERRED STOCK A	-	Financial assets at fair value through profit or loss -non-current	642	28,088	-	28,088	NA
SCI Pharmtech Inc.	Preferred Stock	CHAILEASE PREFERRED STOCK A	-	Financial assets at fair value through profit or loss -non-current	150	14,940	-	14,940	NA
SCI Pharmtech Inc.	Common Stock	CATHAY FINANCIAL HOLDINGS	-	Financial assets at fair value through profit or loss -non-current	28	1,196	-	1,196	NA
SCI Pharmtech Inc.	Common Stock	SUNNY PHARMTECH INC.	-	Financial assets at fair value through other comprehensive income -non-current	4,497	32,382	3.47%	32,382	NA
SCI Pharmtech Inc.	Common Stock	ENERGENESIS BIOMEDICAL CO., LTD	-	Financial assets at fair value through other comprehensive income -non-current	1,458	53,257	2.44%	53,257	NA
Mercuries Furniture Co., Ltd.	Beneficiary certificates	PHI FUND, L.P. FUND	-	Financial assets at fair value through profit or loss -non-current	-	20,567	-	20,567	NA

Appendix 4: The amount of purchases and sales with related parties reaches $100 million or more than 20% of the paid-in capital. UNIT：NTD (In Thousands)

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions		Accounts receivable(payable)/ Notes receivable(payable)		Note
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Amount	Percentage of total notes/accounts receivable (payable)	
Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Subsidiary	Purchases	105,552	26.43%	-	-	-	39,563	48.57%	NA

Note 1:If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.
Note 2:In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.
Note 3:Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

Appendix 5 The important transaction between parent company and subsidiaries.

Unit：Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty（Note 2）	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Rental Income	$1,096	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Other Income	1,466	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Other Receivable	13	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Guarantee deposits received	90	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Rental Income	21,625	According to general conditions	0.01%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Other Income	16,081	According to general conditions	0.01%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Liquor & Food Co., Ltd.	1	Rental Income	4,704	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Liquor & Food Co., Ltd.	1	Other Income	419	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Liquor & Food Co., Ltd.	1	Accounts Receivable	412	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Liquor & Food Co., Ltd.	1	Other Receivable	38	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercury Fu Bao Co., Ltd.	1	Rental Income	4,102	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercury Fu Bao Co., Ltd.	1	Other Income	3,181	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercury Fu Bao Co., Ltd.	1	Accounts Receivable	359	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercury Fu Bao Co., Ltd.	1	Other Receivable	51	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	SCI Pharmtech Inc.	1	Other Income	5,041	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries General Media, Inc.	1	Other Income	402	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Insurance Agency Co. Ltd.	1	Other Income	145	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Data Systems Ltd.	1	Other Income	1,628	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Data Systems Ltd.	1	Other Payable	767	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries F&B Co., Ltd.	1	Other Income	1,630	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries F&B Co., Ltd.	1	Other Receivable	32	According to general conditions	0.00%

Appendix 5 The important transaction between parent company and subsidiaries.

Unit：Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty（Note 2）	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
0	MERCURIES & ASSOCIATES HOLDING, LTD.	MERCURIES FOODSERVICE CO., LTD	1	Temporary Receipts	6,483	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	FAMILY SHOEMART CO., LTD	1	Temporary Receipts	10,081	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	TASTYNOODLE CO., LTD	1	Temporary Receipts	789	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Rental Income	1,979	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Service Revenue	1,200	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Account Receivable	282	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Other Receivable	16	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Guarantee deposits received	518	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Other Expense	192	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Refundable deposits	390	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Accrued expenses	31	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Other Expense	250	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Rental Income	3,701	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Service Revenue	3,600	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Account Receivable	315	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Other Receivable	34	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Guarantee deposits received	1,010	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Rental Income	8,138	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Service Revenue	2,400	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Other Expense	71	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Other Receivable	48	According to general conditions	0.00%

Appendix 5 The important transaction between parent company and subsidiaries.

Unit：Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty（Note 2）	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Account Receivable	922	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Guarantee deposits received	1,865	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	3	Rental Income	1,055	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	3	Accrued expenses	348	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	3	Other Expense	10	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	3	Other Receivable	91	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	3	Accrued expenses	511	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Rental Income	22,936	According to general conditions	0.01%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Other Income	200	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Other Receivable	609	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Guarantee deposits received	5,844	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Other Expense	410	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Accrued expenses	129	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Other Expense	100	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Accrued expenses	21	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Account Receivable	154	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Other Receivable	14	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	FAMILY SHOEMART CO., LTD	3	Temporary Receipts	1,550	According to general conditions	0.00%
2	Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd.	3	Sales	15,789	According to general conditions	0.01%
2	Mercuries Data Systems Ltd.	Simple Mart Retail Co., Ltd.	3	Accounts Receivable	457	According to general conditions	0.00%
2	Mercuries Data Systems Ltd.	Simple Mart Retail Co., Ltd.	3	Sales	2,017	According to general conditions	0.00%

Appendix 5 The important transaction between parent company and subsidiaries.

Unit：Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty（Note 2）	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
2	Mercuries Data Systems Ltd.	Mercuries F&B Co., Ltd.	3	Sales	2,100	According to general conditions	0.00%
2	Mercuries Data Systems Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Sales	1,513	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	Mercuries & Associates, Ltd.	3	Rental Income	1,523	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	Mercuries Data Systems Ltd.	3	Premium Income	3,426	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Rental Income	1,116	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Premium Income	3,758	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	Mercuries F&B Co., Ltd.	3	Premium Income	2,516	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	Mercuries F&B Co., Ltd.	3	Rental Income	12,193	According to general conditions	0.01%
3	Mercuries Life Insurance Co., Ltd.	Mercuries F&B Co., Ltd.	3	Guarantee deposits received	2,130	According to general conditions	0.00%
3	Mercuries Life Insurance Co., Ltd.	SCI Pharmtech Inc.	3	Premium Income	5,359	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercury Fu Bao Co., Ltd.	3	Purchases	6,811	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercury Fu Bao Co., Ltd.	3	Accounts Payable	1,677	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	3	Accounts Receivable	2,488	According to general conditions	0.00%
5	Mercuries F&B Co., Ltd.	Mercuries Furniture Co., Ltd.	3	Rental Income	135	According to general conditions	0.00%
5	Mercuries F&B Co., Ltd.	MERCURIES FOODSERVICE CO., LTD	3	Temporary Receipts	11,716	According to general conditions	0.00%
	Mercuries F&B Co., Ltd.	Mercuries F&B Co., Ltd.	3	Sales	620	According to general conditions	0.00%
6	Mercury Fu Bao Co., Ltd.	Mercuries Furniture Co., Ltd.	3	Rental Income	1,829	According to general conditions	0.00%
6	Mercury Fu Bao Co., Ltd.	Mercuries Life Insurance Co., Ltd.	3	Rental Income	13,109	According to general conditions	0.01%
6	Mercury Fu Bao Co., Ltd.	MERCURIES FOODSERVICE CO., LTD	3	Temporary Receipts	1,952	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries F&B Co., Ltd.	3	Sales	5,834	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	Purchases	105,552	According to general conditions	0.05%

Appendix 5 The important transaction between parent company and subsidiaries.

Unit：Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty（Note 2）	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	Accounts Payable	39,563	According to general conditions	0.02%
8	M. T. I. Cigars Co., Ltd.	MERCURIES FOODSERVICE CO., LTD	3	Temporary Receipts	5,463	According to general conditions	0.00%

Note 1：The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1.Parent company is ‘0’.

2.The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the Company and counterparty is classified into the following three categories:

1.Parent company to subsidiary

2.Subsidiary to parent company

3.Subsidiary to subsidiary

Note 3：Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4：It has been written off when preparing the consolidated financial statements.

Appendix 6 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	$5,312,150	$5,126,587	1,009,228	40.34%	$16,252,153	$1,444,538	$761,175	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries & Associates, Ltd.	Taipei	Domestic and international well-known brands of footwear, apparel and related accessories.	250,000	250,000	40,000	100.00%	732,758	155,867	155,477	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Data Systems Ltd.	Taipei	Purchasing, sale, processing, and installation of computer equipment	612,844	612,844	98,505	53.44%	1,167,269	115,553	58,519	Subsidiary
Mercuries & Associates Holding, Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, Manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	614,293	614,293	25,236	31.75%	1,054,787	360,124	114,337	Subsidiary
Mercuries & Associates Holding, Ltd.	Simple Mart Retail Co., Ltd.	Taipei	Retail	368,289	368,289	41,119	68.88%	909,442	181,966	125,148	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercury Fu Bao Co., Ltd.	Taipei	Liquor, cigar, and cigarette trading and agency.	14,164	14,164	236,260	100.00%	2,882,577	144,948	104,376	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries General Media, Inc.	Taipei	Agency for import production of video tapes, etc.	30,237	30,237	4,200	86.96%	72,680	10,212	6,577	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Harvest Co., Ltd.	Taipei	Lease and sales of machinery equipment	90,478	90,478	9,000	100.00%	101,100	5,244	127	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries F&B Co., Ltd.	Taipei	Beef noodles and pizza restaurant chain stores	514,500	514,500	47,940	93.63%	1,041,159	331,291	307,056	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	485,203	485,203	44,895	63.14%	443,592	20,862	13,173	Subsidiary
Mercuries & Associates Holding, Ltd.	Hipact Tech Inc.	Taipei	Operation Management Consultant and computer equipment installation	517	517	17	8.61%	525	492	43	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Furniture Co., Ltd.	Taipei	Furniture retail and decoration	105,425	105,425	13,000	100.00%	30,270	(5,578)	(22,630)	Subsidiary

Appendix 6 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	M. T. I. Cigars Co., Ltd.	Taipei	Liquor, cigar, and cigarette trading and agency.	32,092	32,092	3,209	100.00%	27,388	(662)	(662)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Liquor & Food Co., Ltd.	Taipei	Sales of tobacco and liquor, beverage and food	94,658	180,300	10,500	100.00%	60,512	(30,604)	(31,069)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Insurance Agency Co., Ltd.	Taipei	Insurance agency	3,000	3,000	500	100.00%	26,320	12,242	12,242	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	148,380	148,380	-	25.31%	6,301	(1,770)	(448)	Subsidiary
Mercuries & Associates Holding, Ltd.	Tastynoodle Co., Ltd.	Samoa	Investment	147,913	147,913	-	100.00%	763	-	-	Subsidiary
Mercuries & Associates Holding, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	192,057	192,057	-	86.67%	9,935	(4,524)	(3,920)	Subsidiary
Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	506,220	500,000	55,000	55.00%	78,976	(255,610)	(127,860)	Subsidiary
Mercuries & Associates Holding, Ltd.	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Securities Investment Trust	86,800	86,800	1,971	3.28%	102,787	899,981	29,551	Associate
Mercuries Data Systems Ltd.	Mercuries Data Systems International Ltd.	British Virgin Islands	Investment	738,652	738,652	-	100.00%	232,787	(15,113)	(15,113)	Subsidiary
Mercuries Data Systems Ltd.	Hipact Tech Inc.	Taipei	Operation Management Consultant and computer equipment installation	114,435	114,435	146	72.80%	7,181	492	358	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Information Systems International Co., Ltd	Taipei	Software and data processing services	3,000	3,000	300	100.00%	1,425	(221)	(221)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	59,737	57,892	6,188	0.25%	104,162	1,444,538	9,670	Subsidiary

Appendix 6 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries Data Systems Ltd.	Digicentre Company Limited.	Taipei	Software services	150,000	150,000	6,864	28.92%	172,188	28,168	8,147	Associate
Mercuries Data Systems International Ltd.	Core Info Tech Limited(Hong Kong)	Hong Kong	Investment	715,423	715,423	-	100.00%	233,608	(15,115)	(15,115)	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	20,000	20,000	2,000	2.81%	19,761	20,862	587	Subsidiary
Mercuries & Associates, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	29,995	29,995	-	13.33%	1,529	(4,524)	(603)	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	80,408	12,769	10,456	0.40%	169,808	1,444,538	1,330	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	356,117	356,117	63,881	2.55%	1,201,654	1,444,538	30,152	Subsidiary
Mercury Fu Bao Co., Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, Manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	118,791	65,164	1,931	2.43%	144,846	360,124	8,146	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	75,262	75,262	3,718	5.23%	36,735	20,862	1,091	Subsidiary
Mercury Fu Bao Co., Ltd.	Hipact Tech Inc.	Taipei	Operation Management Consultant and computer equipment installation	103	103	10	5.17%	510	492	25	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	49,303	49,303	-	7.62%	1,897	(1,770)	(135)	Subsidiary
Mercury Fu Bao Co., Ltd.	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Securities Investment Trust	133,200	133,200	3,602	6.00%	188,009	899,981	54,031	Associate
Mercury Fu Bao Co., Ltd.	Horizon Securities Co., Ltd	Taipei	Integrated Securities Houses	135,631	135,631	20,286	6.13%	255,056	414,718	24,921	Associate

Appendix 6 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries Harvest Co., Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	7,000	7,000	687	0.97%	7,009	20,862	202	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	144,691	140,408	14,366	0.57%	242,802	1,444,538	8,391	Subsidiary
Mercuries F&B Co., Ltd.	Horizon Securities Co., Ltd	Taipei	Integrated Securities Houses	49,903	49,903	7,129	2.16%	89,633	414,718	8,747	Associate
Mercuries F&B Co., Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	70,000	70,000	6,749	9.49%	66,680	20,862	1,980	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	275,896	275,896	-	45.74%	11,384	(1,770)	(809)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries F&B Consulting Co., Ltd	Taipei	Catering retail and management	19,400	19,400	1,940	97.00%	11,369	(6,316)	(6,127)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Food Service Japan Ltd	Japan	Catering retail	27,013	16,079	10	100.00%	27,007	(13,463)	(13,463)	Subsidiary
SCI Pharmtech Inc.	Yushan Pharmaceuticals, Inc.	Taoyuan City Luzhu Dist	Processing, Manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	351,761	351,761	35,190	100.00%	349,186	(537)	(537)	Subsidiary
M. T. I. CIGARS CO., LTD.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	134,428	134,428	-	21.33%	5,308	(1,770)	(377)	Subsidiary
Mercuries Furniture Co., Ltd.	Mecuries Life Insurance Co., Ltd	Taipei	Life insurance	143,635	143,635	11,629	0.46%	195,734	1,444,538	6,967	Subsidiary
Mercuries Liquor & Food Co., Ltd.	Shang Rih Ltd.	Taipei	Retail	6,000	6,000	600	100.00%	6,103	1,334	1,334	Subsidiary
Simple Mart Retail Co., Ltd.	Simple Mart Plus Co., Ltd.	Taipei	Catering retail	60,000	60,000	6,000	100.00%	44,508	(4,232)	(4,232)	Subsidiary

Appendix 6 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	55,980	-	45,000	45.00%	55,431	(255,610)	(549)	Subsidiary
Shang Rih Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Japan	Sales of liquor, beverage and food	4,116	4,116	-	100.00%	5,455	1,371	1,371	Subsidiary
Mercuries Life Insurance Co., Ltd	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Investment consulting and asset management	825,352	825,352	18,426	30.71%	1,283,103	899,981	276,378	Associate
Mercuries Life Insurance Co., Ltd	Horizon Securities Co., Ltd.	Taipei	Integrated Securities Houses	263,113	263,113	28,570	8.64%	359,212	414,718	36,303	Associate
Mercuries Life Insurance Co., Ltd	CMG International One Co., Ltd	Taipei	Residence and Buildings Lease Construction and Development	675,000	675,000	67,500	45.00%	674,804	(2,567)	(1,155)	Associate
Mercuries Life Insurance Co., Ltd	CMG International Two Co., Ltd	Taipei	Residence and Buildings Lease Construction and Development	675,000	675,000	67,500	45.00%	671,963	(4,762)	(2,143)	Associate

Note 1:Including the current amortization of unrealized gains and losses and the difference between the investment cost and the equity net value the current amortization.
Note 2:Including rent for related-party of the fair value adjustment of investment property.

Appendix 7 Information on investments in Mainland China:

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2020(Note 2)	Book value of investment in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
Beijing Mercury Computer Information System Equipment Co., Ltd.	Devolpe, design, produce and sale of ATM and computer's transportation equipment	US1 million	(2)	$33,475	$-	$-	$33,475	$-	100.00%	$- (2)	$-	$-
Nanjing Sanshang Computer Software Development Co., Ltd.	Computer software, information software development, production, sales, self-produced product management and related technical consulting services	US21 million	(2)	668,244	-	-	668,244	(15,119)	100.00%	(15,119) (2)B	229,976	-
Nanjing Dingshang Digital Technology Co., Ltd.	Engineering design and construction of software development, electronic technology research and development, technology transfer service, communication, network, electromechanical, transportation, etc.	RMB4 million	(3)	-	-	-	-	(1,126)	42.00%	(474) (2)B	3,614	-
Mercuries Foodservice (Shanghai) Ltd.	Food and beverage management	-	(2)	293,020	-	1,500	-	-	-	- (2)	-	-
Mercuries Bakery (Shanghai) Ltd.	Baked goods	-	(2)	375,267	-	20,250	-	-	-	- (2)	-	-
Mercuries Rich Ltd.	Consumer goods and beverage retail	-	(2)	309,682	-	16,292	-	(4,141)	100.00%	(4,141) (2)B	-	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
$701,719	(1)Beijing Mercury Computer Information System Equipment Co., Ltd. invested USD$1,000,000. (2)Nanjing Dingshang Digital Technology Co., Ltd. invested USD$19,818,822.	$1,332,113

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3)Others.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2020' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

【Attachment 3】

MERCURIES & ASSOCIATES HOLDING, LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEX TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mercuries & Associates Holding, Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Mercuries & Associates Holding, Ltd. as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors as described in the Other Matter section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial positions of the Mercuries & Associates Holding, Ltd. as of December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Parent Company only Financial Statements of our report. We are independent of Mercuries & Associates Holding, Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

The investments accounted for under equity method of Mercuries Life Insurance Co., Ltd. , Mercuries & Associates, Ltd. and Simple Mart Retail Co., Ltd. amounted to $16,252,153 thousand, $732,758 thousand and $909,442 thousand, constituted 57.24%, 2.58% and 3.20% of the total assets as of December 31, 2020 respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for under equity method of these investments were $761,175 thousand, $155,477 thousand and $125,148 thousand, constituted 52.16%, 10.65% and 8.58% of the profit before income tax for the year ended December 31, 2020 respectively. These investments had material influence on the parent company only financial statements of Mercuries & Associates Holding, Ltd., and we identified key audit matters to include the completeness and accuracy of recording insurance reserves, valuation of investment assets and retail sales revenue of these investees.

Please refer to Note 4.7 for the related accounting policy and Note 6.5 for details of investments accounted for under equity method.

Investments accounted for under equity method—the completeness and accuracy of recording insurance reserves

Description:

Various insurance reserves of the subsidiary of Mercuries Life Insurance's are provided by actuary in accordance with the "Guidelines for Insurance Enterprises Handling All Statutory Reserves" based on their professional judgment and experience. The insurance reserves are estimated for different types of insurance, and thus, the provision process of these reserves has a high degree of complexity. Liability reserves involve significant judgment from management due to uncertainty of estimation. In addition, to ensure the adequacy of the insurance liabilities recognition, significant judgment to the final total settlement value of each insurance claims is required. The Company should assess its adequacy of liabilities through estimated future cash flow for insurance contracts based on current information. If there is any shortfall in the current carrying amount of the insurance liability, the shortfall should be recognized as liability adequacy reserve. Therefore, this matter needs significant attention in our audit.

We performed the following audit procedures on the above key audit matter:

1. Testing the effectiveness of the design and implementation of internal controls within the financial reporting process that are related to insurance reserves, which include testing the controls responsible for ascertaining the completeness and accuracy of the policy information.

2. Performing the analysis on movements and recognition of insurance reserves and checking whether the related information and carrying amount of the worksheet are accurate.

3. Testing samples on unearned premium reserves, liability reserves, claim reserves, premium deficiency reserves, special reserves and liabilities adequacy reserve to assess the accuracy of the premium and claim information, as well as inspecting the provision methodology, and examining whether the provision and hypothesis are in accordance with the "Guidelines for Insurance Enterprises Handling All Statutory Reserves".

4. Assess the appropriateness of the disclosure that are related to insurance reserves.

Investments accounted for under equity method—valuation of investment assets

Description:

The subsidiary of Mercuries Life Insurance's fair value measurement under fair value through profit or loss financial assets and fair value through other comprehensive income financial assets for debt instrument without an active market is determined by observable input parameters obtained either directly or indirectly in inactive markets. The fair value is estimated on the basis of the results of various valuation techniques, which is based on professional judgment by the Company's management. In addition, debt instruments that measured at amortized cost and fair value through other comprehensive income has excepted credit loss, recognition and estimation of such loss require significant judgment by the Company's management. Therefore, this matter needs significant attention in our audit.

We performed the following audit procedures on the above key audit matter:

1. Performing an assessment over the investment cycle of its initial recognition, subsequent measurements and their disclosures on financial statements.

2. Inspecting the accounting policies related to fair value measurements and disclosures of financial instruments of the Company.

3. Obtaining statements for financial assets and understanding the acquisition methods used for fair value of each category, as well as evaluating whether the fair value hierarchy is appropriate.

4. Assessing the reasonableness of significant assumptions, fair value and the valuation sources according to the relevant information obtained from external sources.

5. Executing impairment test, which included evaluating whether the design of the process for providing expected credit losses are appropriate and the significant hypothesis and factors of the estimations are reasonable, selecting the result to check the reasonableness of the credit risk has increased significantly since the original recognition of financial assets and test the accuracy of the calculation.

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Investments accounted for under equity method—the completeness and accuracy of retail sales revenue

Description:

Retail sales revenue of the subsidiary Mercuries & Associates Ltd. and Simple Mart Retail Co., Ltd of are recorded by point-of-sale (POS) terminals, which collect the information of item names, quantity, sales price and total sales amount of each transaction using preestablished merchandise master file data (which contains information such as item names, cost of purchase, retail price, combination sales promotions, etc.). After the daily closing process, each store manager uploads their sales information to the Enterprise Resource Planning ("ERP") system, which summarizes all sales and automatically generates sales revenue journal entries. Each store manager also prepares a daily cash report, which summarizes amounts of sales, type of collections and cash deposited to the bank.

As retail sales revenue comprises numerous small amount transactions and highly relies on the POS and ERP systems, the process of summarizing and recording sales revenue by these systems is important with regard to the completeness and accuracy of the retail sales revenue. Therefore, this matter needs significant attention in our audit.

We performed the following audit procedures on the above key audit matter:

1. Inspecting and checking whether additions and changes to the merchandise master file data had been properly approved and supported by the relevant documents.

2. Inspecting and checking whether approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file.

3. Inspecting and checking whether merchandise master file data had been periodically transferred to POS terminal in stores.

4. Inspecting and checking whether sales information in POS terminals had been periodically and completely transferred to the ERP system and verify the daily cash reports and accounting information in stores.

5. Inspecting daily cash reports and relevant documents.

6. Inspecting cash deposit amounts recorded in daily cash reports and agreed them to bank remittance amounts.

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Other matter

The financial statements of certain investee companies under investments accounted for under equity method were audited by other auditors. Thus, the amounts and information of the investee companies shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. The investments of the aforementioned investee companies amounted to $3,731,843 thousand and $3,686,048 thousand, constituted 13.14% and 12.63% of the total assets as of December 31, 2020 and 2019 respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for under equity method of these investee companies were $461,532 thousand and $505,795 thousand, constituted 31.63% and 14.68% of the profit before income tax for the years ended December 31, 2020 and 2019 respectively.

Emphasis of matter

As described in 4.17 to the financial statements, Mercuries & Associates Holding, Ltd. and investee companies under investments accounted for under equity method have changed the measurement of investment property from cost model to fair value model since January 1, 2020, and retrospectively adjusted the financial statements for the years ended December 31, 2019. Accordingly, we do not revise our audit opinion.

Responsibilities of Management and Those Charged with Governance for the parent company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of Mercuries & Associates Holding, Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mercuries & Associates Holding, Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Mercuries & Associates Holding, Ltd.

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Auditor's Responsibilities for the Audit of the Parent Company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of Mercuries & Associates Holding, Ltd.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mercuries & Associates Holding, Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Mercuries & Associates Holding, Ltd. to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Mercuries & Associates Holding, Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ke-Yi Liu and Shu-Chen Chang.

BDO TAIWAN

March 31, 2021

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

MERCURIES & ASSOCIATES HOLDING, LTD.
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2020, December 31 and January 1,2019

Unit:NTD(In Thousand)

Assets	Notes	December 31, 2020	%	December 31, 2019(Restated)	%	January 1, 2019(Restated)	%
Current assets							
Cash and cash equivalents	6.1	$81,562	0.29	$51,032	0.17	$44,429	0.20
Financial assets at fair value through other comprehensive income - current	6.2	110	-	135,582	0.46	192,057	0.88
Notes receivable, net	6.3	21,364	0.08	19,072	0.07	9,378	0.04
Accounts receivable, net	6.3	1,558	0.01	2,143	0.01	1,210	0.01
Other receivables		2,777	-	14,565	0.05	2,911	0.01
Prepayments		1,827	-	462	-	66	-
Sub-total		109,198	0.38	222,856	0.76	250,051	1.14
Non-current assets							
Financial assets at fair value through other comprehensive income - non-current	6.4	114,741	0.40	115,578	0.40	183,324	0.84
Investments accounted for under equity method	6.5	24,468,622	86.17	25,154,858	86.22	17,884,749	81.52
Property, plant and equipment	6.6	3,406	0.01	2,451	0.01	5,449	0.02
Investment property, net	6.7	3,683,787	12.97	3,663,297	12.56	3,601,897	16.42
Intangible assets		208	0.01	-	-	-	-
Other non-current assets		14,829	0.06	14,830	0.05	14,829	0.06
Sub-total		28,285,593	99.62	28,951,014	99.24	21,690,248	98.86
Total assets		$28,394,791	100.00	$29,173,870	100.00	$21,940,299	100.00

Liabilities & Stockholders' Equity	Notes	December 31, 2020	%	December 31, 2019(Restated)	%	January 1, 2019(Restated)	%
Current liabilities							
Short-term borrowings	6.8	$-	-	$40,000	0.14	$-	-
Other payables	6.9	57,860	0.20	95,847	0.33	42,372	0.19
Current income tax liabilities		75,500	0.27	19,876	0.07	164,256	0.75
Other current liabilities		39,152	0.14	19,411	0.06	9,654	0.05
Sub-total		172,512	0.61	175,134	0.60	216,282	0.99
Non-current liabilities							
Long-term borrowings	6.10	8,271,500	29.13	8,110,000	27.80	7,950,000	36.23
Deferred tax liabilities	6.21	259,158	0.91	253,523	0.87	258,537	1.18
Other non-current liabilities		62,479	0.21	62,513	0.21	65,309	0.31
Sub-total		8,593,137	30.25	8,426,036	28.88	8,273,846	37.72
Total Liabilities		8,765,649	30.86	8,601,170	29.48	8,490,128	38.71
Equity							
Share Capital							
Common stock	6.13	9,093,510	32.03	8,266,827	28.34	8,266,827	37.68
Capital surplus	6.14	2,032,125	7.16	1,913,534	6.56	2,233,713	10.18
Retained earnings	6.15						
Legal reserve		2,464,186	8.68	2,111,950	7.24	2,078,748	9.47
Special reserve		4,068,090	14.33	4,487,427	15.38	313,993	1.43
Unappropriated earnings		5,590,916	19.69	6,065,675	20.79	6,793,204	30.96
Other equity	6.17	(3,087,013)	(10.87)	(1,740,041)	(5.96)	(5,703,642)	(26.00)
Treasury stock	6.16	(532,672)	(1.88)	(532,672)	(1.83)	(532,672)	(2.43)
Total Equity		19,629,142	69.14	20,572,700	70.52	13,450,171	61.29
Total Liabilities and Equity		$28,394,791	100.00	$29,173,870	100.00	$21,940,299	100.00

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019

UNIT：NTD (In Thousands)

Item	Notes	2020	%	2019 (Restated)	%
Operating revenue	6.18	$1,610,699	100.00	$3,613,550	100.00
Gross profit (loss)		1,610,699	100.00	3,613,550	100.00
Net gross profit (loss)		1,610,699	100.00	3,613,550	100.00
Operating expenses					
General and administrative expenses		(137,024)	(8.51)	(160,603)	(4.44)
Total operating expenses		(137,024)	(8.51)	(160,603)	(4.44)
Operating profit (loss)		1,473,675	91.49	3,452,947	95.56
Non-operating income and expenses					
Interest income		14	-	3,398	0.09
Other income		36,150	2.24	21,677	0.60
Other gains and losses	6.19	3,319	0.21	50,954	1.41
Financial costs		(53,793)	(3.34)	(83,459)	(2.31)
Sub-total		(14,310)	(0.89)	(7,430)	(0.21)
Profit (loss) before income tax		1,459,365	90.60	3,445,517	95.35
Income tax (expenses) benefit	6.21	(61,685)	(3.83)	6,061	0.17
Net profit (loss) from continuing operations		1,397,680	86.77	3,451,578	95.52
Net profit (loss)		1,397,680	86.77	3,451,578	95.52
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(1,424)	(0.09)	(16,997)	(0.47)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method		(71,078)	(4.41)	(84,297)	(2.33)
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		2,422	0.15	581	0.02
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method		(1,254,846)	(77.91)	4,092,429	113.25
Other comprehensive income (loss), net of income tax		(1,324,926)	(82.26)	3,991,716	110.47
Total comprehensive income (loss)		72,754	4.51	7,443,294	205.99
Earnings per share	6.22				
Basic earnings (loss) per share (in dollars)		$1.63		$4.03	
Diluted earnings per share (in dollars)		$1.63		$4.02	
The pro forma net income and earning per share if accounting for treasury stock had not been adopted are as follows:					
Pro forma before income tax		$1,506,772		$3,469,220	
Pro forma after income tax		$1,445,087		$3,475,282	
Earnings per share		$1.59		$3.82	

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2020 and 2019

UNIT：NTD (In Thousands)

Summary	Common Stock	Capital Surplus	Retained Earnings			Other Equity Interests			Treasury Stock	Total
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Others		
Balance on January 1, 2019	$8,266,827	$2,233,713	$2,078,748	$313,993	$4,206,636	$(7,492)	$305,418	$(6,001,568)	$(532,672)	$10,863,603
Effects of retrospective application and retrospective restatement	-	-	-	-	2,586,568	-	-	-	-	2,586,568
Balance on January 1, 2019	8,266,827	2,233,713	2,078,748	313,993	6,793,204	(7,492)	305,418	(6,001,568)	(532,672)	13,450,171
Appropriation of earnings 2018										
Legal reserve	-	-	33,202	-	(33,202)	-	-	-	-	-
Special reserve	-	-	-	4,173,434	(4,173,434)	-	-	-	-	-
Effects of changes in ownership interest from investee	-	57,602	-	-	(578)	-	-	-	-	57,024
Changes in unappropriated earnings of investees	-	-	-	-	(8)	-	-	-	-	(8)
Changes in capital surplus of investees	-	11,857	-	-	-	-	-	-	-	11,857
Cash dividends from capital surplus	-	(413,341)	-	-	-	-	-	-	-	(413,341)
Net profit (loss)	-	-	-	-	3,451,578	-	-	-	-	3,451,578
Other comprehensive income (loss)	-	-	-	-	(21,811)	(8,688)	(175,544)	4,197,759	-	3,991,716
Dividends from the Company received by subsidiaries	-	23,703	-	-	-	-	-	-	-	23,703
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	51,802	-	(51,802)	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	(1,876)	-	1,876	-	-	-
Balance on January 1, 2020	$8,266,827	$1,913,534	$2,111,950	$4,487,427	$6,065,675	$(16,180)	$79,948	$(1,803,809)	$(532,672)	$20,572,700
Special reserve (note 6.15)	-	-	-	2,543,314	(2,543,314)	-	-	-	-	-
Appropriation of earnings 2019										
Legal reserve	-	-	352,236	-	(352,236)	-	-	-	-	-
Special reserve	-	-	-	(2,962,651)	2,962,651	-	-	-	-	-
Cash dividends	-	-	-	-	(826,683)	-	-	-	-	(826,683)
Stock dividends	826,683	-	-	-	(826,683)	-	-	-	-	-
Effects of changes in ownership interest from investee	-	(13,240)	-	-	(308,220)	-	-	-	-	(321,460)
Changes in capital surplus of investees	-	84,424	-	-	-	-	-	-	-	84,424
Net profit (loss)	-	-	-	-	1,397,680	-	-	-	-	1,397,680
Other comprehensive income (loss)	-	-	-	-	(45,923)	(79)	87,731	(1,366,655)	-	(1,324,926)
Dividends from the Company received by subsidiaries	-	47,407	-	-	-	-	-	-	-	47,407
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	62,625	-	(62,625)	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	5,344	-	(5,344)	-	-	-
Balance on December 31, 2020	$9,093,510	$2,032,125	$2,464,186	$4,068,090	$5,590,916	$(16,259)	$99,710	$(3,170,464	$(532,672)	$19,629,142

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

UNIT：NTD (In Thousands)

Items	2020	2019(Restated)
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	$1,459,365	$3,445,517
Profit (loss) before tax	1,459,365	3,445,517
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	2,092	3,586
Amortization	59	-
Interest expense	53,794	83,459
Interest income	(14)	(3,398)
Dividend income	(24,315)	(17,143)
Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method	(1,501,212)	(3,495,451)
Loss (gain) on disposal and scrap of property, plant and equipment	265	265
Loss (gain) on disposal of investments accounted for under equity method	-	2,162
Loss (gain) on investment property at fair value	(20,489)	(61,400)
Loss(gain) on liquidation	1,067	(4)
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in notes receivable	(2,293)	(9,694)
(Increase) decrease in accounts receivable	584	(933)
(Increase) decrease in other receivables	11,788	(11,655)
(Increase) decrease in prepaid expenses	(1,363)	(396)
Increase (decrease) in other payables	(37,119)	54,292
Increase (decrease) in advanced receipts	2,293	9,694
Increase (decrease) in other current liabilities	17,448	62
Interest received	14	3,398
Dividends received	889,348	588,982
Interest paid	(54,661)	(84,275)
Income taxes refund (paid)	(426)	(143,331)
Net cash flows generated from (used in) operating activities	796,225	363,737
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through other comprehensive income	134,885	107,224
Acquisition of investments accounted for under equity method	(191,783)	(250,000)
Proceeds from disposal of investments accounted for under equity method	-	247
Acquisition of property, plant and equipment	(3,047)	(589)
Acquisition of intangible assets	(268)	-
Proceeds from return of liquidation on investments accounted for under equity method	-	1,285
Net cash flows generated from (used in) investing activities	(60,213)	(141,833)
Cash flows from financing activities		
Increase in short-term borrowings	8,610,000	10,030,000
Decrease in short-term borrowings	(8,650,000)	(9,990,000)
Increase in short-term notes and bills payable	16,015,000	14,610,000
Decrease in short-term notes and bills payable	(16,015,000)	(14,610,000)
Proceeds from long-term borrowings	80,156,500	79,110,000
Repayments of long-term borrowings	(79,995,000)	(78,950,000)
Increase in guarantee deposits received	4,010	3,290
Decrease in guarantee deposits received	(4,308)	(5,252)
Increase in other non-current liabilities	-	2
Decrease in other non-current liabilities	(1)	-
Cash dividends paid	(826,683)	(413,341)
Net cash generated from (used in) financing activities	(705,482)	(215,301)
Net increase (decrease) in cash and cash equivalents	30,530	6,603
Cash and cash equivalents at beginning of period	51,032	44,429
Cash and cash equivalents at end of period	$81,562	$51,032

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Mercuries & Associates Holding, Ltd.(the Company) was founded in February 1965, formerly known as Mercuries & Associates, Co., Ltd. and reorganized its structure in 2015. The Company and its affiliates belong to a comprehensive service industry, providing a group of service including insurance, food & beverage, pharmaceutical and IT integration. The Company is mainly engaged in finance and investment.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1. Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC") :

New standards, interpretations and amendments as endorsed by FSC effective from 2020 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'	January 1, 2020
Amendments to IFRS 16,'COVID-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.2. Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company：

New standards, interpretations and amendments as endorsed by the FSC effective from 2021 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and Its associate or joint venture'	To be determined by IASB
IFRS 17 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Revelation of accounting policy'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting policy'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1. Statement of Compliance

The financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

4.2. Basis of Preparation

4.2.1. The financial statements have been prepared on the historical cost basis except for the following items:

(1) Financial instruments at fair value through other comprehensive income.

(2) Liabilities on cash-settled share-based payment arrangements are measured at fair value.

(3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

(4) Investment property are measured at fair value.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Foreign currency transaction

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting separate financial statements, the assets and liabilities of the Company's foreign operations are translated into NT$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity.

4.4. Classification of current and non-current items

4.4.1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the end of the reporting period;

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the end of the reporting period.

4.4.2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the end of the reporting period;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

4.5. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

4.6. Financial assets

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

4.6.1. Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

(1) It is held within a business model whose objective is to hold assets to collect contractual cash flow.

(2) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

4.6.2. Financial assets at fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

(1) It is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets.

(2) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

4.6.3. Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

4.6.3.1. The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

4.6.3.2. How the performance of the portfolio is evaluated and reported to the Company's management;

4.6.3.3. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4.6.4. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost (including accounts receivable that have a significant financing component or contract assets), at each end of the financial reporting period, the Company recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognize the impairment provision for lifetime ECLs.

4.7. Investments accounted for under equity method

Investments accounted for under the equity method include investments in subsidiaries, associates and joint ventures. A subsidiary is an entity that is controlled by the Company. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

The Company's share of its subsidiaries' profits or losses is recognized in profit or loss, and its share movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

4.8. Investment property

Properties held by the Company to earn rentals revenue and/or for capital appreciation are classified as investment properties. Investment properties, including office buildings and lands held under operating leases, are measured initially at their costs. Cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Cost of investment property comprises expenditure of raw materials, direct labor, and any expenditure directly attributable to bringing the property to the condition necessary for it to be capable of operating.

Starting from January 1, 2020, investment property is measured by fair value model and the change of fair value is recognized as profit and loss in the current period in accordance with IAS 40 "Investment property". However, those categorized held for sale and discontinued operations according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" which met the criteria of non-current asset held for sale (including disposal group held for sale), and those met the criteria of the 53rd paragraph of IAS 40 "Investment property" were excluded.

When the use of a property changes, investment property is reclassified as property, plant and equipment (PPE) and its carrying amount at the date of reclassification becomes the cost for subsequent PPE.

4.9. Property, Plant and Equipment (PPE)

Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

PPE apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. Each part of an item of PPE with a cost that is significant in relation to the total cost of the item must be depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, it is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 40~60 years, useful lives for other PPE are 5 years.

4.10. Leasing

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease constitutes the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

4.11. Impairment of non-financial asset

For non-financial assets other than deferred tax assets and employee benefits, the Company assesses whether the impairment has occurred at the end of each reporting period, and estimates its recoverable value. If the recoverable value cannot be estimated individually, the Company estimates the recoverable amount of the cash generating unit of the asset to assess the impairment.

The recoverable amount is the higher of the fair value less cost of sale for individual asset or cash generating units and the value of their use. If the recoverable value of an individual asset or cash generating unit is less than the carrying amount, it shall be write down to the recoverable amount and the impairment loss shall be recognized.

The Company reassesses the impairment loss of non-financial assets other than goodwill at the end of each reporting period. If the recoverable value has increased, the impairment loss is written off in accordance with the changed of recoverable value. However, the amount added back cannot exceed the individual asset or cash generate unit's carrying amount less any depreciation expense from last year.

4.12. Employee benefits

4.12.1. Defined contribution pension plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

4.12.2. Bonuses to Employees and Remuneration to Directors

Employee bonuses and directors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts by board of directors and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee's compensation is distributed by shares, number of shares distributed was calculated based on the closing price at the previous trading day of the board meeting.

4.12.3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.13. Treasury shares

The Company adopt cost method to repurchase outstanding shares as treasury shares. The cost of repurchasing treasury shares is specified in the financial statement as a deduction of shareholders' equity and the price difference of treasury share transactions is listed under the section of shareholders' equity. When retiring treasury shares, it shall be credited as "treasury share", and debited as "share capital" and "capital reserve - stock premium" in proportion to the share percentage of retirement.

The Company's shares held by its subsidiary are recorded as treasury shares. The profits generated from the subsidiaries' disposal of the Company's shares and the revenue received from the Company's cash dividends are recorded in the "capital reserve - treasury share transaction".

4.14. Revenue

Revenue is measured by fair value of the consideration received or receivable deducting the estimated customer returns, discounts, and other related sales allowance.

4.14.1. Dividend income and interest income

The dividend income is generated by investment and recognized when the shareholders' right to receive payment is established, provided that the economic profits related to the transaction have the potential to be acquired by the Company and the amount of income could be reliably measured.

The interest income is recognized on an accrual basis based on the duration of time for the applicable effective interest rate for the outstanding principal.

4.14.2. Profit or loss from investment property

The rental income arising from the investment property is recognized as a part of the total leasing income during the lease period, and the incentive for the lease is recognized as a decrease in the rental income by the straight-line method during the lease term.

4.14.3. Service Revenue

Revenue from contract services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. Contact cost is recognized when occurs unless it is an asset related to future contractual activities. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable. Besides, losses will be recognized immediately if the services provided are expected to have a loss.

4.15. Income Tax

4.15.1. The tax expense for the period comprises both current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.

4.15.2. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is recognized for taxable temporary differences associated with investments in subsidiaries and associates where the Company is able to control the reversal of the temporary difference in the foreseeable future.

4.15.3. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

4.15.4. Linked-tax system

The Company and its more than 90% owned subsidiaries adopt the linked-tax system for tax filings in accordance with MOF No.10500580850. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in the Company's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

4.16. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include convertible bonds and bonus paid to employee. However, the adverse dilutive share is not computed.

4.17. Changes in accounting policies

The Company changes the accounting policy for subsequent measurement of investment property from cost model to fair value model starting from January 1, 2020. Board of directors has taken the view that the information provided under this model could best reflect the value and performance of the investment property. In addition, this model increases the net value of the Company and provides more relevant and reliable information about the Company's financial position, financial performance, and cash flows in the financial statements.

In accordance with IAS 8 "Accounting policy, Changes in accounting estimates and errors", the changes in accounting policy had been applied retrospectively. Results of the influenced amount are as follows:

4.17.1. Balance sheets：

	December 31, 2019	January 1, 2019
Increase in investments accounted for under equity method	$895,545	$1,025,596
Increase in investment property	1,891,248	1,809,412
Increase in deferred tax liabilities	243,479	248,440
Increase in unappropriated earnings	2,543,314	2,586,568

4.17.2. Statements of comprehensive incomes：

	2019
Increase in fair value adjustment of investment property	$61,400
Decrease in share of profit of subsidiaries, associates and joint ventures accounted for under equity method	(130,051)
Decrease in depreciation	20,436
Increase in income tax (expenses) benefit	4,961
Increase in Net profit (loss)	$(43,254)
Decrease in earnings per share	$(0.05)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

5.1. Financial instruments

5.1.1. Fair value

The Company held certain financial instruments without active markets, including financial instruments lacking of active market quotes and financial instruments that turned out to be inactive due to market conditions (ex: low market liquidity). When a market is inactive, it is usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgments.

If the market of an investment held by the Company is not active, the fair value of the instrument is determined with valuation techniques. When the fair value may be publicly obtained from independent sources, it shall be adopted. Overall, the Company would decide a source and/or a valuation technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the balance sheet date. Valuation techniques include adoption of recent arm's length transactions, reference to other instruments with substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

5.1.2. Impairment

Financial assets measured at amortized cost and financial assets measured at FVOCI are estimated for loss allowance at an amount equal to the 12-month expected credit losses since initial recognition, despite the existence of evidence of objective impairment. Should credit risk on a financial instrument increase significantly, or there exists evidence of objective impairment, recognized the expected credit losses of the duration then the loss allowance might be increased, and effected profit or loss.

5.2. Impairment assessment on investments accounted for under equity method

The Company assesses the impairment of investments accounted for under equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the recoverable amounts based on the present value of future cash flow of expected cash dividends receivable from the investee and investment disposals to ensure the reasonableness of such assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

6.1. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$375	$652
Deposits in bank	81,187	50,380
Total	$81,562	$51,032

6.1.1 The Company associates with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.1.2 The Company has no cash and cash equivalents pledged to others.

6.2. Financial assets at fair value through other comprehensive income-current

	December 31, 2020	December 31, 2019
Common Stock	$110	$135,582

The Company identifies that equity instruments are held within a business model whose main objective is to hold the securities for the long term, and recognized these instruments as financial assets measured at FVOCI. The fair value of investments amounted to $110 thousand on December 31, 2020.

6.3. Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$21,364	$19,072
Accounts receivable	1,558	2,143
Total	$22,922	$21,215

6.3.1. Aging analysis of accounts receivables:

December 31, 2020	Not past due	Past due within 60 days	Past due 61 to 120 days	Past due 121 to 180 days	Past due over 181 days	Total
Expected Credit Loss	0%	0%	0%	0%	0%	
Book value	$1,432	$126	$-	$-	$-	$1,558
Loss allowance	-	-	-	-	-	-
Amortized cost	$1,432	$126	$-	$-	$-	$1,558

December 31, 2019	Not past due	Past due within 60 days	Past due 61 to 120 days	Past due 121 to 180 days	Past due over 181 days	Total
Expected Credit Loss	0%	0%	0%	0%	0%	
Book value	$2,143	$-	$-	$-	$-	$2,143
Loss allowance	-	-	-	-	-	-
Amortized cost	$2,143	$-	$-	$-	$-	$2,143

6.3.2. The maximum exposure to credit risk is the carrying amount of each categories of accounts receivable.

6.3.3. The Company does not hold any collateral as guaranty of collectability.

6.4. Financial assets at fair value through other comprehensive income - Non-current

	December 31, 2020	December 31, 2019
Common stock	$78,067	$53,385
Preferred stock	36,674	62,193
Total	$114,741	$115,578

6.4.1. The Company identify that equity instruments are held within a business model whose main objective is to hold the securities for the long term, and recognized these instruments as financial assets measured at FVOCI. The fair value of investments amounted to $114,741 thousand on December 31, 2020.

6.4.2. The company has no FVOCI pledged to others.

6.5. Investments accounted for under equity method

6.5.1. As of December 31, 2020 and 2019, the investments of subsidiaries, associates and joint ventures are as follows:

	December 31, 2020	December 31, 2019(Restated)	January 1, 2019(Restated)
1. Mercuries Life Insurance Co., Ltd.(MLI)	$16,252,153	$16,794,501	$10,534,388
2. Mercuries & Associates, Ltd.(MA)	732,758	638,716	900,202
3. Mercuries Data Systems Ltd.(MDS)	1,167,269	1,152,324	1,114,662
4. SCI Pharmtech Inc.(SCI)	1,054,787	1,103,178	1,019,230
5. Mercury Fu Bao Co., Ltd.(MFB)	2,882,577	3,108,212	2,650,418
6. Simple Mart Retail Co., Ltd.(SMR)	909,442	805,548	840,187
7. Mercuries F&B Co., Ltd.(MF&B)	1,041,159	950,690	371,880
8. Other subsidiary	858,362	836,416	857,818
9. Other associates	102,787	97,329	86,796
10. Other joint ventures	-	200,616	41,840
Reduce：Transfer to treasury stock	(532,672)	(532,672)	(532,672)
	$24,468,622	$25,154,858	$17,884,749

6.5.2. The financial statement of certain investee companies under investments accounted for under equity method were audited by other auditors. The investments of the aforementioned investee companies amounted to $3,731,843 thousand and $3,686,048 thousand and the recognized share of profit of subsidiaries, associates and joint ventures accounted for under equity method were $461,531 thousand and $505,795 thousand.

6.5.3. The share of profit of subsidiaries, associates and joint ventures accounted for under equity method for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019 (Restated)
1. MLI	$761,175	$2,647,023
2. MA	155,477	102,907
3. MDS	58,519	75,783
4. SCI	114,337	181,321
5. MFB	104,376	201,808
6. SMR	125,148	28,946
7. MF&B	307,056	371,658
8. Other subsidiary	(154,427)	(50,213)
9. Other associates	29,551	26,659
10. Other joint ventures	-	(90,441)
	$1,501,212	$3,495,451

6.5.4. Summarized financial information of the subsidiaries:

	Assets	Liabilities	Income	Profit or Loss	Ownership
December 31, 2020					
MLI	$1,338,837,240	$1,296,725,451	$157,231,964	$1,444,538	40.34%
MA	$2,822,092	$2,046,075	$3,768,135	$155,867	100.00%
MDS	$4,380,200	$2,160,013	$2,986,117	$115,553	53.44%
SCI	$4,569,838	$1,247,616	$2,689,222	$360,124	31.75%
MFB	$3,512,386	$92,783	$153,219	$144,948	100.00%
SMR	$5,094,051	$3,773,645	$13,198,913	$181,966	68.88%
MF&B	$2,942,152	$1,827,992	$4,696,882	$331,291	93.63%

	Assets	Liabilities	Income	Profit or Loss	Ownership
December 31, 2019					
MLI	$1,262,555,321	$1,219,929,571	$179,022,429	$5,011,512	41.51%
MA	$2,688,123	$2,006,538	$3,779,969	$103,790	100.00%
MDS	$4,497,807	$2,311,638	$3,006,533	$115,872	53.44%
SCI	$4,081,377	$606,737	$2,355,747	$571,101	31.75%
MFB	$3,676,185	$76,317	$179,806	$242,453	100.00%
SMR	$5,006,760	$3,831,320	$12,080,447	$42,121	68.53%
MF&B	$2,660,036	$1,647,014	$4,652,071	$386,006	93.63%

6.5.5. Certain investee companies under investments accounted for under equity method have quoted prices in active market. The market price information calculated based on the closing price on the reporting date are as follows:

	December 31, 2020	December 31, 2019
MLI	$8,699,545	$11,421,941
MDS	$1,157,432	$1,044,152
SCI	$2,119,835	$2,750,738

6.5.6. MLI has resolved by the board of directors to increase capital by cash. The Company acquired 24,578 thousand shares with a consideration of $185,563 thousand. The shareholding changed to 40.34%.

6.5.7. The Company and SMR signed a Share Purchase Agreement with Sumitomo Corporation on October 16, 2020 to purchase shares of Sanyou Drugstores, Ltd. (SD) and obtained 5,000 thousand and 45,000 thousand shares, respectively. The transaction were completed on December 22, 2020 and the Company's shareholding increased to 55%.

6.5.8. SMR has resolved by the board of directors to issue 585 thousand shares at NT110 per share on March 7, 2019. The Company's shareholding down to 68.53%. In addition, SMR repurchased its own shares in April 2020 and the shareholding increased to 68.88%.

6.5.9. MF&B has resolved by the board of directors to issue the employee stock warrants 2,800 thousand units on April 9, 2019. Common stock of 2,719 thousand shares at NT20 per share were issued for the conversion on June 10, 2019. The Company's shareholding decreased to 93.63%.

6.5.10. In order to adjust the investment structure of the group, the investee MA has resolved by the board of directors to split off and transfer the food department (including assets, liabilities, and business) to the MF&B on January 1, 2019. MF&B issued 20,000 thousand shares valued as $300,000 thousand for consideration. MA reduced capital of $300,000 thousand and cancelled 30,000 thousand share. After the restructuring, the shareholding of the MA and MF&B are 100%.

6.5.11. Asiandawn has resolved by the board of directors to dissolve on December 31, 2019. The liquidation procedures has been completed on May 26, 2020.

6.5.12. Mercuries Liquor&Food Co., Ltd has resolved by board of directors to reduce the capital for cover accumulated deficits in $95,000 thousand and the Company's shareholding is 100%.

6.5.13. SD has resolved by the board of directors to increase the capital of 25,000 thousand shares with a consideration of 250,000 thousand. The Company's shareholding is 50%.

6.5.14. The Company sold the shares of Mercuries Food Service Japan Ltd. to MF&B in October, 2019 to adjust the investment structure of the group.

6.5.15. Wayia. Com Inc. has resolved by the special meeting of shareholders to dissolve on October 30, 2018. The date for dissolve was October 31, 2018 and liquidation procedures has been completed on March 15, 2019.

6.5.16. The Company's stocks held by subsidiaries are treated as treasury stocks. Please refer to Note 6.16 for details.

6.5.17. Detail information of investments accounted for under equity method please refer to Note 13.

6.5.18. Investments accounted for under equity method pledged as collateral for bank borrowings please refer to Note 8 pledged assets.

6.6. Property, plant and equipment

	2020		
	Office equipment	Others	Total
Cost			
January 1, 2020	$1,182	$15,317	$16,499
Additions	730	2,317	3,047
Derecognition	-	(8,506)	(8,506)
December 31, 2020	$1,912	$9,128	$11,040
Accumulated depreciation and impairment			
January 1, 2020	$700	$13,348	$14,048
Additions	118	1,974	2,092
Derecognition	-	(8,506)	(8,506)
December 31, 2020	$818	$6,816	$7,634
Book value			
January 1, 2020	$482	$1,969	$2,451
December 31, 2020	$1,094	$2,312	$3,406

	2019		
	Office equipment	Others	Total
Cost			
January 1, 2019	$711	$15,370	$16,081
Additions	471	117	588
Derecognition	-	(170)	(170)
December 31, 2019	$1,182	$15,317	$16,499
Accumulated depreciation and impairment			
January 1, 2019	$626	$10,006	$10,632
Additions	74	3,512	3,586
Derecognition	-	(170)	(170)
December 31, 2019	$700	$13,348	$14,048
Book value			
January 1, 2019	$85	$5,364	$5,449
December 31, 2019	$482	$1,969	$2,451

6.7. Investment property

	2020		
	Land	Buildings	Total
January 1, 2020	$3,003,443	$659,854	$3,663,297
Gain (loss) on fair value adjustment of investment property	12,580	7,910	20,490
December 31, 2020	$3,016,023	$667,764	$3,683,787

	2019		
	Land	Buildings	Total
January 1, 2019	$2,909,503	$692,394	$3,601,897
Gain (loss) on fair value adjustment of investment property	93,940	(32,540)	61,400
December 31, 2019	$3,003,443	$659,854	$3,663,297

6.7.1. As of December 31, 2020 and 2019 and January 1, 2019 , fair value information are as follow:

Source of FV	December 31, 2020	December 31, 2019	January 1, 2019
External appraisal	$3,683,787	$3,663,297	$3,601,897

6.7.2. The main contents of investment property for each companies are as follow:

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on "Regulations on Real Estate Appraisal" with the valuation dates on December 31, 2020 and 2019, and January 1, 2019.

Name of appraisers firm	December 31, 2020	December 31, 2019	January 1, 2019
Pannsia Real Estate Appraisers Joint Firm	Yang, Min-An	Chung, Shao-Yu	Cheng, Wei-Yuan, Chung, Shao-Yu

Fair value of investment property is based on valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of market liquidity and easy access to comparable sales and rental information in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach, direct capitalization method and discount cash flow method of the income approach. Undeveloped lands are appraised mainly using the comparison approach, land development analysis approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31, 2020	December 31, 2019	January 1, 2019
Expected future cash inflows	$5,102,538	$5,114,850	$5,030,525
Expected future cash outflows	(195,333)	(195,790)	(194,690)
Net cash inflows	$4,907,205	$4,919,060	$4,835,835

Rent information in the neighboring areas are as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract rent (square meter/month/dollar)	$259~$1,680	$259~$1,680	$259~$1,680
Market rent (square meter/month/dollar)	$300~$1,640	$298~$1,620	$295~$1,622

Main parameters	December 31, 2020	December 31, 2019	January 1, 2019
Income capitalization rate	2.09%~4.24%	1.97%~4.10%	1.88%~4.10%
Discount rate	2.15%~3.70%	2.20%~3.85%	2.20%~3.85%

Fair value of undeveloped lands are measured by land development analysis. Increase in estimated total sale price, increase in rate of return, or decrease in overall capital interest rate would result in increase in the fair value. Significant assumptions used are as follows:

	December 31, 2020	December 31, 2019
Estimated total sale price	$23,403	$23,114
Rate of return	15%	15%
Overall capital interest rate	0.99%	1.10%

The rate of returns are determined by reference to the annual profit rate and construction period of the similar product. Overall capitalization rate referred to interest rate of bank loan, demand deposit, 1 year time deposit and also considered the proportion of equity funds and borrowed funds.

6.7.3. The land in Yangmei can not be registered under the Company's name for limited usage in agricultural and forestry only. Therefore it is registered under Mr. Wang Zhihua and a trust contract had been signed for protection.

6.7.4. Lands appraisal according to legal present value had been performed on December 31, 1987. Total land value increased NTD 17,407 thousand and after net of land value increment tax of NTD 8,153 thousand net value increment of NTD 8,796 thousand was transferred to retained surplus on January 1, 2012 as IFRS adoption.

6.7.5. Land (lot number 210-212, located at Subsection 1 of Linyi Section in Taipei City) amounted to NTD 133,123 thousand was partially expropriated by Bureau of Taipei MRT in September 2002. Remaining land of NTD 17,005 thousand had been transferred to investment property.

6.8. Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank borrowings	$-	$40,000
Interest rate	-	1.07%

6.9. Other payables

	December 31, 2020	December 31, 2019
Payables for equipment	$2,212	$-
Accrued salaries	16,418	22,827
Others	39,230	73,020
Total	$57,860	$95,847

6.10. Long-term borrowings

6.10.1. The details are as follows:

Bank	Borrowing period and terms	December 31,2020	December 31,2019
O-Bank and 13 banks guarantee syndicated loan	2017/12/01-2022/12/01 issuing commercial paper	$1,440,000	$1,440,000
O-Bank and 13 banks guarantee syndicated loan	2017/12/01-2022/12/01 applying credit loan	600,000	200,000
Hua Nan Bank	2020/11/13-2023/11/13 issuing commercial paper	300,000	300,000
Yuanta Bank	2020/12/11-2022/12/11 applying credit loan	400,000	600,000
Bank SinoPac	2020/08/31-2022/08/31 applying credit loan	200,000	200,000
E.SUN Bank	2020/06/22-2022/06/22 applying credit loan	300,000	300,000
Shin Kong Bank	2020/11/04-2022/11/04 applying credit loan	300,000	300,000
First Bank	2020/02/07-2022/02/07 applying credit loan	911,500	1,300,000
JihSun Bank	2020/06/16-2022/06/16 applying credit loan	450,000	450,000
East Asia Bank	2020/05/29-2022/05/29 applying credit loan	200,000	200,000
Taipei Fubon Bank	2020/01/12-2022/01/12 applying credit loan	500,000	500,000
Taiwan Business Bank	2020/09/28-2022/09/28 applying credit loan	250,000	250,000
Taishin International Bank and 11 banks guarantee syndicated loan	2019/12/29-2024-12-29 issuing commercial paper	1,920,000	1,920,000
Land Bank	2020/01/14-2022/01/14 applying credit loan	200,000	-
Entie Bank	2019/02/26-2021-02-26 issuing commercial paper	-	100,000
Far Eastern Bank	2019/03/18-2021/03/18 applying credit loan	-	50,000

Bank	Borrowing period and repayment term	December 31,2020	December 31,2019
Cathay United Bank	2020/12/22-2023/02/28 applying credit loan	100,000	-
Taichung Commercial Bank	2020/12/16-2023/12/16 applying credit loan	200,000	-
Total		$8,271,500	$8,110,000
Interest rate range		0.92%~1.79%	1.01%~1.79%

6.10.2. Guarantee syndicated bank loans were obtained to fulfill the Company's mid-term working capital and to improve the financial structure. According to loan agreements, the Company shall maintain its current ratio, tangible net worth and interest coverage ratio during the loan periods.

6.10.3. Certain long-term borrowings were to satisfy the demands of the Company's mid-term working capital and to improve the financial structure. According to loan agreements, the Company shall maintain its debt ratio, net asset and interest coverage ratio during the loan periods.

6.10.4. Assets pledged as collateral please refer to Note 8 for details.

6.11. Operating leases

6.11.1. Lessor

The Company acts as a lessor to rent investment properties under operating lease. For related information, please refers to note 6.7 for more details.

Maturity analysis of lease payments for undiscounted lease payments to be received after the reporting date are as follows:

	December 31,2020	December 31,2019
Under 1 year	$ 72,131	$ 74,377
1~ 2 years	25,310	51,782
2~3 years	22,393	46,616
3~4 years	11,084	20,288
4~5 years	3,600	10,137
Over 5 years	17,400	16,500
Total	$151,918	$219,700

6.12. Pensions

Effective July 1, 2005, the Company has defined contribution pension plans set up according to the Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of $620 thousand and $512 thousand are recognized for the years ended December 31, 2020 and 2019, respectively.

6.13. Share capital

	December 31,2020	December 31,2019
Authorized share capital	$12,000,000	$9,000,000
Capital stock Issued	$9,093,510	$8,266,827

As of December 31, 2020, the Company's common stock was 9,093,510 thousand and outstanding common shares was 909,351 thousand shares with par value of $10 (in dollars) per share.

On June 18, 2020, the stockholders' meeting of the Company approved a capital increase by issuing 82,668 thousand new shares from retained earnings of NT$826,683 thousand. The aforementioned capital increase process has been completed.

6.14. Capital surplus

6.14.1. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit, to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

6.14.2. Capital surplus on December 31, 2020 and 2019 are as follows:

	December 31,2020	December 31,2019
Treasury stock transactions	$288,582	$241,175
Changes in shareholding - subsidiaries and associates accounted for under equity method	1,143,724	1,072,540
Difference between the proceeds and carrying amount for the acquisition or disposal of subsidiaries	545,327	545,327
Restricted stock	1,368	1,368
Merger premium	53,124	53,124
	$2,032,125	$1,913,534

6.15. Retained earnings

6.15.1. Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

6.15.2. Special reserve

(1) In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

(2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC NO. 1010012865 regulations on April 6, 2012 shall be reversed proportionately when the relevant assets are used, disposed or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

(3) On the initial application of fair value model to investment properties, the Company appropriated for a special reserve on initial application of IFRSs in accordance with FSC No. 1030006415 issued on March 18, 2014 at the amount that were the same as the net increase arising from fair value measurement and transferred to retained earnings. Additional special reserve should be appropriated for subsequent net increase in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment property.

(4) The special reserves on December 31, 2020 and 2019 are as follows:

	December 31,2020	December 31,2019
Securities Exchange Act requirement	$1,210,783	$4,173,434
IFRSs first adoption	61,004	61,004
Changes in share interests of investee	252,989	252,989
Fair value adjustment of investment property	2,543,314	-
Total	$4,068,090	$4,487,427

6.15.3. Distribution of retained earnings

(1) According to the Company's articles of incorporation, annual earnings after income tax shall be first used to offset previous deficit, set aside 10% of the remaining amount as legal reserve and set aside or reverse a special reserve according to relevant regulations. Any remaining balance shall be allocated according to the resolution of shareholders' meeting.

The Company's dividend policy considers the development plan, investment environment, working capital needs, competition and shareholder's interest. Cash dividends shall be at least 10% of the total distribution.

(2) Information about the earning appropriations proposed by the Board of Directors and/or resolved by the stockholders for the year 2020, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(3) Information about the earning appropriations proposed by the Board of Directors and resolved by the stockholders for the year 2019, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(4) Information relate to employees bonuses and directors remuneration, please refer to Note 6.20.

6.16. Treasury stock

Treasury stock increased 4,776 thousand shares in 2020 due to the distribution of stock dividends of the Company. Details of the Company's shares held by the subsidiaries are as follows:

Subsidiary name	December 31,2020			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	43,985	$20.70	$910,489	$448,367
Mercuries General Media, Inc.(MGM)	2,914	20.70	60,312	26,264
Mercuries Harvest Co., Ltd.(MH)	5,629	20.70	116,517	58,041
Total	52,528		$1,087,318	$532,672

Subsidiary name	December 31,2019			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	39,986	$21.65	$865,704	$448,367
MGM	2,649	21.65	57,345	26,264
MH	5,117	21.65	110,786	58,041
Total	47,752		$1,033,835	$532,672

6.17. Other equity

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Other comprehensive income (loss) on reclassification under the overlay approach	Unearned employee benefit	Total
January 1, 2020	$(16,180)	$79,948	$(1,810,452)	$6,643	$(1,740,041)
The Company	2,422	(64,049)	-	-	(61,627)
Subsidiaries and associates	(2,501)	83,811	(1,366,655)	-	(1,285,345)
December 31, 2020	$(16,259)	$99,710	$(3,177,107)	$6,643	$(3,087,013)

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Other comprehensive income (loss) on reclassification under the overlay approach	Unearned employee benefit	Total
January 1, 2019	$(7,492)	$305,418	$(6,008,211)	$6,643	$(5,703,642)
The Company	581	(68,799)	-	-	(68,218)
Subsidiaries and associates	(9,269)	(156,671)	4,197,759	-	4,031,819
December 31, 2019	$(16,180)	$79,948	$(1,810,452)	$6,643	$(1,740,041)

6.18. Operating revenue

	2020	2019
Leasing revenue	$84,810	$101,400
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	1,501,212	3,495,451
Loss on sales of investments accounted for under equity method	-	(2,162)
Dividend revenue	24,315	17,143
Gain (loss) on liquidation	(1,067)	4
Other revenue	1,429	1,714
Total	$1,610,699	$3,613,550

6.19. Other gains and losses

	2020	2019
Gain (loss) on fair value adjustment of investment property	$20,490	$61,400
Gain (loss) on disposal of property, plant and equipment	(265)	(265)
Other losses	(16,906)	(10,181)
Total	$3,319	$50,954

6.20. Employee benefit

Subject	2020	2019
Wages and salaries	$48,267	$68,505
Labor and health insurance	996	699
Pension	915	807
Director's remuneration	8,500	15,000
Other employee benefit	373	322

The company had 18 and 16 employees for the year ended December 31, 2020 and 2019 which included 7 and 8 directors, respectively.

6.20.1. According to Company's Articles of Incorporation, it shall allocate no less than 1% of annual profit as bonuses to employees, and no more than 1% of annual profit as remuneration to directors, respectively, pursuant to the resolution of the boards of directors. However, the accumulated deficits should be covered first.

6.20.2. For the year ended December 31, 2020 and 2019, the employee bonus and directors remuneration were accrued at $23,900 thousands and $50,500 thousands. These amounts were recognized as salary expenses. Employee's bonuses and director's remuneration for 2019 had been approved by the shareholders meeting with no difference to the accrued amount in the financial statements ended December 31, 2019.

6.20.3. The information about employee bonus and director remuneration of the Company will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.21. Income tax expense (benefit)

6.21.1. Income tax expense

	2020	2019 (Restated)
Current income tax expense	$-	$-
Additional tax on unappropriated earnings	75,838	-
Income tax adjustment on prior years	(19,788)	(1,047)
Total current income tax expense (benefit)	56,050	(1,047)
Deferred income tax		
Origination and reversal of temporary differences	5,635	(5,014)
Income tax expense (benefit)	$61,685	$(6,061)

6.21.2. Reconciliation between income tax expense and accounting profit

	2020	2019 (Restated)
Tax calculated based on profit before tax at statutory tax rate	$291,873	$689,103
Effects from items disallowed by tax regulations	(291,873)	(689,103)
Effects from income tax on deferred income assets	5,635	(5,014)
Additional 5% tax on unappropriated earnings	75,838	-
Income tax adjustment on prior years	(19,788)	(1,047)
Income tax expense (benefit)	$61,685	$(6,061)

6.21.3. Deferred tax assets or liabilities as a result of temporary difference are as follows:

	2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
Other	$(1,891)	$53	$-	$-	$(1,838)
Land value increment tax	(8,153)	-	-	-	(8,153)
Investment property	(243,479)	(5,688)	-	-	(249,167)
Total	$(253,523)	$(5,635)	$-	$-	$(259,158)
Presented on balance sheet:					
Deferred tax assets	$-				$-
Deferred tax liabilities	(253,523)				(259,158)
	$(253,523)				$(259,158)

	2019(Restated)				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
Other	$(1,944)	$53	$-	$-	$(1,891)
Land value increment tax	(8,153)	-	-	-	(8,153)
Investment Property	(248,440)	4,961	-	-	(243,479)
Total	$(258,537)	$5,014	$-	$-	$(253,523)
Presented on balance sheet:					
Deferred tax assets	$-				$-
Deferred tax liabilities	(258,537)				(253,523)
	$(258,537)				$(253,523)

6.21.4. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary difference	$106,087	$89,550

6.21.5. Income tax returns of the Company through 2018 has been assessed and approved by the Tax Authority

6.21.6. Unappropriated retained earnings relevant information

	December 31, 2020	December 31, 2019 (Restated)	January 1, 2019 (Restated)
After 1998	$5,590,916	$6,065,675	$6,793,204

6.22. Earnings per share

2020	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit	$1,397,680		
Basic earnings per share			
Profit or (loss) attributable to common shareholders	1,397,680	857,203	$1.63
Assumed conversion of all dilutive potential common shares			
Employee bonus		1,238	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$1,397,680	858,441	$1.63

2019(Restated)	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit	$3,451,578		
Basic earnings per share			
Profit or (loss) attributable to common shareholders	3,451,578	857,203	$4.03
Assumed conversion of all dilutive potential common shares			
Employee bonus		1,710	
Diluted earnings per share			
Current profit (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	$3,451,578	858,913	$4.02

Potential shares from bonuses to employees should be included in the weighted average number of outstanding shares in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonuses to employees by the fair value of the common shares on the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonuses are resolved in the formal meeting, and thus the shares of employee bonuses resolved will be included in the basic EPS.

After the retrospective adjustment, the weighted average number of ordinary shares outstanding is calculated as follows:

	2020	2019
At January 1	826,683	826,683
Increase: Retained earning converted into capital stock, 2020	82,668	82,668
Decrease: Shares held by the subsidiaries	(52,148)	(52,148)
Total	857,203	857,203

The pro forma net income and earnings per share if accounting for treasure stock had not been adopted are as follows:

	2020	2019(Restated)
Profit attributable to common shareholders	$1,445,087	$3,475,282
Weighted average shares outstanding in basic earnings per share	909,351	909,351
Basic earnings per share(dollars):		
Profit (loss) from continuing operations	$1.59	$3.82

The information of treasury stocks hold by subsidiaries, please refer to note 6.16.

7. RELATED-PARTY TRANSACTIONS

7.1. Related parties

Names of related parties	Relationship with the Company
MA	Subsidiary
MDS	Subsidiary
MLI	Subsidiary
MFB	Subsidiary
MF&B(Note 1)	Subsidiary
MLF	Subsidiary
MGM	Subsidiary
SCI	Subsidiary
Mercuries Insurance Agency Co., Ltd.(MIA)	Subsidiary
SD(Note2)	Subsidiary
Horizon Securities Co., Ltd(HS)	Associate

Note 1:Napoli Co., Ltd. was renamed as Mercuries F&B Co., Ltd. on January 1, 2019

Note 2:SD has been restructured from a joint venture to a subsidiary on December 22, 2020.

7.2. Significant transactions and balances with related parties

7.2.1. Rent revenues

	2020	2019
Subsidiary	$31,527	$38,477
Total	$31,527	$38,477

7.2.2. Other revenues

	2020	2019
Subsidiary	$29,994	$12,999
Joint venture	2,010	550
Total	$32,004	$13,549

7.2.3. Service revenues

	2020	2019
Joint venture	$1,429	$1,714

7.2.4. Other expenses

	2020	2019
Subsidiary	$-	$3,465
Associate	1,111	1,094
Total	$1,111	$4,559

7.2.5. Accounts receivables (payables)-related parties

(1) Accounts receivables

	December 31, 2020	December 31, 2019
Subsidiary	$904	$809
Joint venture	-	3,534
Total	$904	$4,343

(2) Accounts payables

	December 31, 2020	December 31, 2020
Subsidiary	$770	$3
Associate	84	84
Joint venture	-	154
Total	$854	$241

7.2.6. Deposits received

	December 31, 2020	December 31, 2019
Subsidiary	$870	$-
Joint venture	-	780
Total	$870	$780

7.2.7. Loans granted (Other receivables)

	December 31, 2019			
	Maximum amount	Balance as of December 31, 2019	Interest rate	Total interest
Financing by the Company to joint venture	$250,000	$-	2%	$3,384

7.2.8. Key management compensation

	2020	2019
Salaries and other short-term employee benefit	$30,523	$30,700

8. PLEDGED ASSETS

Assets provided by the Company for business purposes are as follows:

	Book Value		
Assets	December 31,2020	December 31,2019	Purpose
MLI common stock	$3,220,710	$3,411,263	As a guarantee for credit line
Time deposits	600	600	As a guarantee for sales performance
Total	$3,221,310	$3,411,863	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

	December 31,2020	December 31,2019
Promissory notes for borrowing from financial institutions.	$10,240,000	$5,850,000

10. SIGNIFICANT DISASTER LOSS: None

11. SIGNIFICANT SUBSEQUENT EVENTS:

The Company was approved by the board of directors on November 13, 2020 to issue the first unsecure convertable corporate bonds, with nominal value of $2,300,000 thousand to repay bank borrowings. It was approved by the FSC and issued at a premium of 100.5% on January 25, 2021.

12. OTHERS

12.1. Capital management

The objectives of capital management is to maintain capital structure, reduce capital cost and continue to operate at the maximum interests of shareholders.

12.2. Financial instruments

12.2.1. Fair value information of financial instruments

The Company does not disclose the fair value for short-term financial instruments, such as cash equivalents, notes receivable, accounts receivables, other receivables, FVOCI, other financial assets, bank borrowings, other payables and other liabilities, etc. Since these financial instruments have relatively shorter maturity date, their carrying amount can be fairly presented as the fair values, the Company does not disclose the fair value. Furthermore, the fair values information of financial assets and financial liabilities were summarized at note 12.3.

12.2.2. Financial risk management policies

(1) The Company's activities expose to a variety of financial risk including market risk (foreign exchange risk, interest risk and price risk), credit risk and liquidity risk. The Company's overall risk management policies focuse on the unpredictable areas of financial markets and seek to minimize potential adverse effects on the Company's financial position and financial performance.

(2) Risk management is carried out by a central finance department under policies approved by the Board of Directors. The general administration division identifies, evaluates and hedges financial risks to cooperate with the business operating units.

12.2.3. Significant financial risks and degrees of financial risks

12.2.3.1. Market risk

(1) Foreign currency risk

- The operation of the Company is affected by the exchange rate risks arising from various currencies, but the main risk is from the currency USD and JPY. The related exchange rate risk comes from recognized assets and liabilities denominated in foreign currencies.

- The Company businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

	December 31, 2020		
	Foreign currency amount	Exchange rate	NTD
Financial assets			
Investments accounted for under equity method			
USD	$597	28.48	$16,999

	December 31, 2019		
	Foreign currency amount	Exchange rate	NTD
Financial assets			
Investments accounted for under equity method			
USD	$679	29.98	$20,362

(2) Foreign exchange sensitivity analysis

The following table shows the impact of 1% fall in the exchange rates of the local currencies to New Taiwan Dollar.

Currency	Exchange rate changes	Effect on profit or loss		Effect on equities	
		2020	2019	2020	2019
USD	-1%	-	-	(170)	(204)

(3) Price risk

The Company is exposed to equity securities price risk of investments held and classified on the balance sheet of FVOCI. The Company is not exposed to commodity price risk.

(4) Interest rate risk

Interest risk of the Company is from long-term borrowings and the cash flow risk is effected by floating interest rate.

12.2.3.2. Credit risk

(1) Credit risk is the risk of financial loss resulting from the inability of the client or counterparty to the financial instrument to perform its contractual obligations. Credit risk comes from cash and deposits held in banks, accounts receivable and committed transactions that have not yet been received. Banks and financial institutions with good credit ratings can be accepted as trading targets.

(2) Management does not expect any significant losses due to non-performance by counterparties in 2020 and 2019.

12.2.3.3. Liquidity risk

(1) Cash flow forecasting is performed and aggregated by the general administration department of the Company with monitoring rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet's ratio targets.

(2) The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020	Book value	Contractual cash flows	Less than 1 year	1~ 5 years	Over 5 years
Other payables	$57,860	$57,860	$57,860	$-	$-
Other financial liabilities	13,946	13,946	-	13,946	-
Long-term borrowings	8,271,500	8,271,500	8,271,500	-	-

December 31, 2019	Book value	Contractual cash flows	Less than 1 year	1~ 5 years	Over 5 years
Other payables	$95,847	$95,847	$95,847	$-	$-
Other financial liabilities	14,244	14,244	-	14,244	-
Long-term borrowings	8,110,000	8,110,000	8,110,000	-	-

12.3. Fair value estimation

12.3.1. The table below analyses financial instruments measured at fair value using valuation method. The different levels have been defined as follows:

Level 1: Fair value of financial instruments classified in Level 1 is based on the quoted price for an identical financial instrument in an active market. The definition of active market includes all of the following conditions: A) the products traded in the market are homogeneous, B) willing parties are available anytime in the market, and C) price information is available for the public.

Level 2: Fair value of financial instruments classified in Level 2 is based on inputs other than quoted prices in active markets including observable input parameters obtained either directly (i.e., as prices) or indirectly (i.e., derived from prices) in active markets. Examples of observable inputs are as follows:

i) The quoted price for a similar financial instrument in an active market means the market transaction price for a similar financial instrument based on its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the market transaction prices for an identical financial instrument, wherein the quoted price does not represent the fair value at the measurement date. The reasons also include the difference in transaction terms for financial instruments, transaction prices involving related parties, and the relationship between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.

ii) The quoted market price of an identical or similar financial instrument in an inactive market.

iii) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs (i.e., interest rate, yield curve, and volatility rate) used are based on data obtainable from the market. An observable input can be derived from market data and reflects the expectation of market participants when it is used in evaluating the prices of financial instruments.

iv) A majority of the inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

Level 3 : Input for a fair value measurement for a financial instrument classified is not based on data obtainable from the market. An unobservable input, such as volatility for a share option derived from the share's historical price, does not generally represent current market expectations about future volatility.

Financial instruments measured at fair value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at FVOCI:				
Common stock	$78,177	$110	$-	$78,067
Preferred stock	36,674	-	-	36,674

Financial instruments measured at fair value	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at FVOCI:				
Common stock	$188,967	$135,582	$-	$53,385
Preferred stock	62,193	-	-	62,193

There was no significant transfer between the first and second levels for the years ended December 31, 2020 and 2019.

12.3.2. Fair value information of significant unobservable impacts (Level 3)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at FVOCI	Market comparison method	Liquidity discount rate 2019:20%~38.4% 2020:20%~35%	Inverse relationship

12.3.3. Classification process of Level 3 fair value

The Company's general administration department is responsible to verify the fair values of the assets based on independent sources that reflect the nearest market conditions. The Company ensure that the information used is independent, reliable, and coherent with other resources and represent exercisable prices. Also, the Company policy requires that these fair values are analyzed for remeasurement and reassessment on each reporting date to ensure that the fair values are reasonable.

12.3.4. Sensitivity analysis of Level 3 fair value

While the Company's measurement of fair value on financial assets are reasonable, these fair values might differ, should a different valuation model be used as its measurement method. The following table describes the impact to the profit or loss and other comprehensive income should change in the inputs be used on Level 3 financial assets.

	December 31, 2020					
			Impact of changes in fair value on profit loss		Impact of changes in fair value on Other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
Financial assets measured at FVOCI						
-Unquoted shares	Variable discount rate	1%	$-	$-	$164	$(165)
-Venture capital	Variable discount rate	1%	-	-	29	(29)

	December 31, 2019					
			Impact of changes in fair value on profit loss		Impact of changes in fair value on Other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
Financial assets measured at FVOCI						
-Unquoted shares	Variable discount rate	1%	$-	$-	$410	$(410)
-Venture capital	Variable discount rate	1%	-	-	118	(119)

13. SUPPLEMENTARY DISCLOSURES

13.1. Significant transactions information

13.1.1. Loans to others: Appendix 1.

13.1.2. Provision of endorsements and guarantees to others: Appendix 2.

13.1.3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Appendix 3.

13.1.4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

13.1.5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None

13.1.6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None

13.1.7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Appendix 4.

13.1.8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None

13.1.9. Derivative financial instruments undertaken during the year ended December 31, 2020: Appendix 7.

13.1.10. Information on investees: Appendix 5.

13.2. Information on investments in Mainland China

13.2.1. The Company has resolved by the board of directors to invest USD 5,000 thousand in Foodservice, and further invested in Mercuries Bakery (shanghai) Ltd. (MB Shanghai) through Foodservice. The investment was approved by the Investment Commission MOEA No. 10100187460 on May 14, 2012 and No. 10000491270 on November 18, 2011.

MB Shanghai seased its operation and liquidated on December 18, 2019. The remaining assets of USD 174 thousand has been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900238140 on August 25, 2020.

13.2.2. The Company has resolved by the board of directors to invest USD 5,000 thousand in Tastynoodle, and further invested in Mercuries Foodservice (Shanghai) Ltd. (MF Shanghai) through Tastynoodle. The investment was approved by the Investment Commission MOEA No. 1010018747 on May 14, 2012 and No. 10000491290 on November 18, 2011.

MF Shanghai seased its operation and liquidated on October 30, 2019. The remaining assets of USD 27 thousand has been repatriated to Tastynoodle. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900258870 on October 12, 2020.

13.2.3. The Company has resolved by the board of directors to invest USD 5,000 thousand in Family Shoemart, and further invested in Mercuries Rich Ltd. (MR) through Family Shoemart. The investment was approved by the Investment Commission MOEA No. 10100184740 on May 14, 2012 and No. 10000491290 on November 18, 2011.

MR seased its operation and liquidated on July 27, 2020. The remaining assets of USD 390 thousand has been repatriated to Family Shoemart. This liquiation had been approved and verified by the Investment Commission MOEA No. 10900320080 on November 10, 2020.

13.2.4. The Company's investment type, amount and shareholding in Mainland China, please refer to appendix 6.

13.3. Major shareholders：

Shareholding / Shareholder's Name	Shares	Percentage
Shang Lin Investment Co., Ltd.	187,146,480	20.58%
Shu Ren Investment Co., Ltd.	129,054,542	14,19%
Shang Hung Investment Co., Ltd.	54,401,185	5.98%
Shu Feng Investment Co., Ltd.	50,625,811	5.56%

13.3.1 The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialized form because of a different calculation basis.

13.3.2 If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

Appendix 1 Loans to others

UNIT：NTD (In Thousands)

Number (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Banlance at December 31, 2020 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason or short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)
													Item	Value		
1	MERCURIES DATA SYSTEMS LTD.	Mercuries Information Systems International	Other receivables	Yes	$20,000	$20,000	-	1.75%	2	-	Working capital	-	-	-	$222,019	$888,075

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2020.

Note 4: The column of ‘Nature of loan’ shall fill in “1” for ‘Business transaction’ or “2” for ‘Short-term financing’.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company’s “Procedures for Provision of Loans”, and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

(1)The nature of the loan is related to business transaction of MDS. Amount of the loan cannot exceed the amount of business transactions.

(2)Nature of the loan is related to financing necessity, total amount of loan cannot exceed 10% of net asset of MDS and the aggregate amount cannot exceed 40% of net asset of MDS.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Appendix 2 Provision of endorsements and guarantees to others:

UNIT：NTD (In Thousands)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31,2020	Actual Amount Drawn down	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulate endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsement/ guarantees by parent company to subsidiary	Provision of endorsement/ guarantees by subsidiary to parent company	Provision of endorsement / guarantees to the party in Mainland China
		Company name	Relationship with the endorser/ guarantor (Note 2)										
1	MERCURIES DATA SYSTEMS LTD.	MERCURIES DATA SYSTEMS LTD.	1	444,038 (Note 4)	8,000	8,000	8,000	-	0.36%	1,110,094 (Note 4)	N	N	N

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:
(1)Business transaction.
(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
(5)Mutual guarantee as required by the construction contract.
(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 2: Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 15% of the total net profit of the most recent financial statement.

Note 3: Total amount of provision of endorsements and guarantees to others cannot exceed 30% of total net profit of the most recent financial statement.

Note 4: 1.The total amount of accumulated external endorsements by the subsidiary MSD shall not exceed 50% of the net value of the latest financial statements of its verified by accountants.
2.The amount of the endorsement guarantee of the subsidiary MSD to a single enterprise shall not exceed 20% of the net value of the latest financial statements of the subsidiary its verified by an accountant.

Note 5: The MSD needs to procedure for handling endorsement/guarantee because of Import and export goods. The endorsement guarantee of MSD shall come from bank.

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries & Associates Holding, Ltd.	Common Stock	FIRST FINANCIAL HOLDING.	-	Financial assets at fair value through other comprehensive income-current	5	$110	-	$110	NA
Mercuries & Associates Holding, Ltd.	Common Stock	CHIAO-FU REAL ESTATE MANAGEMENT CORP.	-	Financial assets at fair value through other comprehensive income-non-current	100	45,141	2.00%	45,141	NA
Mercuries & Associates Holding, Ltd.	Common Stock	CONCORD VENTURE CAPITAL CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	3,124	11,634	3.12%	11,634	NA
Mercuries & Associates Holding, Ltd.	Common Stock	UNION OPTRONICS CORP.	-	Financial assets at fair value through other comprehensive income-non-current	366	6,938	0.69%	6,938	NA
Mercuries & Associates Holding, Ltd.	Common Stock	ADVANCE MATERIALS CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	2,158	11,133	1.84%	11,133	NA
Mercuries & Associates Holding, Ltd.	Common Stock	SEMICONDUCTOR CO., LTD	-	Financial assets at fair value through other comprehensive income-non-current	300	3,221	1.88%	3,221	NA
Mercuries & Associates Holding, Ltd.	Preferred Stock	MAGICAP VENTURE CAPITAL CO., LTD. PREFERRED SHARES A	-	Financial assets at fair value through other comprehensive income-non-current	363	36,674	1.66%	36,674	NA
Mercuries & Associates Holding, Ltd.	Common Stock	POWTEC ELECTROCHEMICAL CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	13,630	-	0.96%	-	NA
Mercuries & Associates Holding, Ltd.	Common Stock	VEEGO CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	400	-	2.22%	-	NA
Mercuries & Associates, Ltd.	Common Stock	ENERGENESIS BIOMEDICAL CO., LTD	-	Financial assets at fair value through other comprehensive income-non-current	322	11,850	0.54%	11,850	NA
Mercuries Data Systems Ltd.	Beneficiary certificates	NOMURA GLOBAL SHORT DURATION BOND FUDN	-	Financial assets at fair value through profit or loss-current	2,835	30,312	-	30,312	NA
Mercuries Data Systems Ltd.	Common Stock	SHINEWAVE CO. LTD.	-	Financial assets at fair value through other comprehensive income-non-current	1,072	12,297	10.00%	12,297	NA
Mercuries Data Systems Ltd.	Common Stock	EASYCARD INVESTMENT HOLDING CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	2,299	86,728	2.21%	86,728	NA

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries Data Systems Ltd.	Common Stock	LIFEPLUS CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	3,000	3,997	9.09%	3,997	NA
Mercuries Data Systems Ltd.	Common Stock	VEEGO CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	600	-	3.33%	-	NA
Mercuries Data Systems Ltd.	Common Stock	SHUN TAK HOLDINGS LIMITED	-	Financial assets at fair value through other comprehensive income-non-current	490	4,900	19.69%	4,900	NA
Mercuries Data Systems Ltd.	Preferred Stock	TAISHIN FINANCIAL HOLDING CO., LTD.	-	Financial assets at fair value through profit or loss-non-current	2,000	105,200	0.40%	105,200	NA
Mercury Fu Bao Co., Ltd.	Common Stock	ENERGENESIS BIOMEDICAL CO., LTD	-	Financial assets at fair value through profit or loss-non-current	595	29,250	1.00%	29,250	NA
Mercury Fu Bao Co., Ltd.	Common Stock	CONCORD VENTURE CAPITAL CO., LTD.	-	Financial assets at fair value through other comprehensive income-non-current	4,686	17,465	4.69%	17,465	NA
Mercury Fu Bao Co., Ltd.	Common Stock	SYSJUST CO., LTD	-	Financial assets at fair value through other comprehensive income-non-current	114	5,272	0.43%	5,272	NA
Mercury Fu Bao Co., Ltd.	Common Stock	MERCURIES & ASSOCIATES HOLDING, LTD.	investment accounted under the equity method	Financial assets at fair value through other comprehensive income-non-current	43,985	910,489	4.84%	910,489	NA
Mercury Fu Bao Co., Ltd.	Common Stock	POWTEC ELECTROCHEMICAL CORPORATION	-	Financial assets at fair value through other comprehensive income-non-current	4,697	-	0.33%	-	NA
Mercuries General Media, Inc.	Common Stock	MERCURIES & ASSOCIATES HOLDING, LTD.	investment accounted under the equity method	Financial assets at fair value through other comprehensive income-non-current	2,914	60,312	0.32%	60,312	NA
Mercuries Harvest Co., Ltd.	Common Stock	MERCURIES & ASSOCIATES HOLDING, LTD.	investment accounted under the equity method	Financial assets at fair value through other comprehensive income-non-current	5,629	116,517	0.62%	116,517	NA
SCI Pharmtech Inc.	Beneficiary certificates	UPAMC JAMES BOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	2,760	46,477	-	46,477	NA
SCI Pharmtech Inc.	Beneficiary certificates	CATHAY TAIWAN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	4,093	51,305	-	51,305	NA

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
SCI Pharmtech Inc.	Beneficiary certificates	TAISHIN 1699 MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	3,592	49,019	-	49,019	NA
SCI Pharmtech Inc.	Beneficiary certificates	NOMURA TAIWAN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	1,273	20,940	-	20,940	NA
SCI Pharmtech Inc.	Beneficiary certificates	JIH SUN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	3,022	45,174	-	45,174	NA
SCI Pharmtech Inc.	Beneficiary certificates	YUANTA USD MONEY MARKET Fund USD	-	Financial assets at fair value through profit or loss -non-current	99	30,151	-	30,151	NA
SCI Pharmtech Inc.	Beneficiary certificates	NOMURA GLOBAL SHORT DURATION BOND FUND	-	Financial assets at fair value through profit or loss -non-current	2,840	30,371	-	30,371	NA
SCI Pharmtech Inc.	Beneficiary certificates	CTBC HWA-WIN MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	4,064	45,146	-	45,146	NA
SCI Pharmtech Inc.	Beneficiary certificates	FUBON CHINA POLICY BANK BOND ETF	-	Financial assets at fair value through profit or loss -non-current	420	8,236	-	8,236	NA
SCI Pharmtech Inc.	Beneficiary certificates	YUANTA DE-LI MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	2,744	45,116	-	45,116	NA
SCI Pharmtech Inc.	Beneficiary certificates	MEGA DIAMOND MONEY MARKET FUND	-	Financial assets at fair value through profit or loss -non-current	3,568	45,130	-	45,130	NA
SCI Pharmtech Inc.	Preferred Stock	FUBON S&P PREFERRED STOCK	-	Financial assets at fair value through profit or loss -non-current	793	49,404	-	49,404	NA
SCI Pharmtech Inc.	Preferred Stock	FUBON S&P PREFERRED STOCK B	-	Financial assets at fair value through profit or loss -non-current	36	2,250	-	2,250	NA
SCI Pharmtech Inc.	Preferred Stock	TAISHIN FINANCIAL HOLDING CO., LTD. PREFERRED STOCK E	-	Financial assets at fair value through profit or loss -non-current	400	21,040	-	21,040	NA
SCI Pharmtech Inc.	Preferred Stock	CATHAY FINANCIAL HOLDING CO., LTD. PREFERRED STOCK A	-	Financial assets at fair value through profit or loss -non-current	790	48,822	-	48,822	NA

Appendix 3 Holding of marketable securities at the end of the period

UNIT：NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
SCI Pharmtech Inc.	Preferred Stock	CATHAY FINANCIAL HOLDING CO., LTD. PREFERRED STOCK B	-	Financial assets at fair value through profit or loss -non-current	33	2,077	-	2,077	NA
SCI Pharmtech Inc.	Preferred Stock	FUBON S&P US PREFERRED STOCK	-	Financial assets at fair value through profit or loss -non-current	2,350	39,644	-	39,644	NA
SCI Pharmtech Inc.	Preferred Stock	CTBC FINANCIAL HOLDING CO., LTD. PREFERRED STOCK B	-	Financial assets at fair value through profit or loss -non-current	685	43,429	-	43,429	NA
SCI Pharmtech Inc.	Preferred Stock	SHINE KONG FINANCIAL HOLDINGS PREFERRED STOCK A	-	Financial assets at fair value through profit or loss -non-current	642	28,088	-	28,088	NA
SCI Pharmtech Inc.	Preferred Stock	CHAILEASE PREFERRED STOCK A	-	Financial assets at fair value through profit or loss -non-current	150	14,940	-	14,940	NA
SCI Pharmtech Inc.	Common Stock	CATHAY FINANCIAL HOLDINGS	-	Financial assets at fair value through profit or loss -non-current	28	1,196	-	1,196	NA
SCI Pharmtech Inc.	Common Stock	SUNNY PHARMTECH INC.	-	Financial assets at fair value through other comprehensive income -non-current	4,497	32,382	3.47%	32,382	NA
SCI Pharmtech Inc.	Common Stock	ENERGENESIS BIOMEDICAL CO., LTD	-	Financial assets at fair value through other comprehensive income -non-current	1,458	53,257	2.44%	53,257	NA
Mercuries Furniture Co., Ltd.	Beneficiary certificates	PHI FUND, L.P. FUND	-	Financial assets at fair value through profit or loss -non-current	-	20,567	-	20,567	NA

Appendix 4: The amount of purchases and sales with related parties reaches $100 million or more than 20% of the paid-in capital.

UNIT：NTD (In Thousands)

Purchaser/ seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction term compared to third party transactions		Accounts receivable(payable)/ Notes receivable(payable)		Note
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Amount	Percentage of total notes/accounts receivable (payable)	
Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Subsidiary	Purchases	105,552	26.43%	-	-	-	39,563	48.57%	NA

Note 1:If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.
Note 2:In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.
Note 3:Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to the parent company in the calculation.

Appendix 5 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	$5,312,150	$5,126,587	1,009,228	40.34%	$16,252,153	$1,444,538	$761,175	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries & Associates, Ltd.	Taipei	Domestic and international well-known brands of footwear, apparel and related accessories.	250,000	250,000	40,000	100.00%	732,758	155,867	155,477	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Data Systems Ltd.	Taipei	Purchasing, sale,processing, and installation of computer equipment	612,844	612,844	98,505	53.44%	1,167,269	115,553	58,519	Subsidiary
Mercuries & Associates Holding, Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, Manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	614,293	614,293	25,236	31.75%	1,054,787	360,124	114,337	Subsidiary
Mercuries & Associates Holding, Ltd.	Simple Mart Retail Co., Ltd.	Taipei	Retail	368,289	368,289	41,119	68.88%	909,442	181,966	125,148	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercury Fu Bao Co., Ltd.	Taipei	Liquor, cigar, and cigarette trading and agency.	14,164	14,164	236,260	100.00%	2,882,577	144,948	104,376	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries General Media, Inc.	Taipei	Agency for import production of video tapes, etc.	30,237	30,237	4,200	86.96%	72,680	10,212	6,577	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Harvest Co., Ltd.	Taipei	Lease and sales of machinery equipment	90,478	90,478	9,000	100.00%	101,100	5,244	127	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries F&B Co., Ltd.	Taipei	Beef noodles and pizza restaurant chain stores	514,500	514,500	47,940	93.63%	1,041,159	331,291	307,056	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	485,203	485,203	44,895	63.14%	443,592	20,862	13,173	Subsidiary
Mercuries & Associates Holding, Ltd.	Hipact Tech Inc.	Taipei	Operation Management Consultant and computer equipment installation	517	517	17	8.61%	525	492	43	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Furniture Co., Ltd.	Taipei	Furniture retail and decoration	105,425	105,425	13,000	100.00%	30,270	(5,578)	(22,630)	Subsidiary

Appendix 5 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	M. T. I. Cigars Co., Ltd.	Taipei	Liquor, cigar, and cigarette trading and agency.	32,092	32,092	3,209	100.00%	27,388	(662)	(662)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Liquor & Food Co., Ltd.	Taipei	Sales of tobacco and liquor, beverage and food	94,658	180,300	10,500	100.00%	60,512	(30,604)	(31,069)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Insurance Agency Co., Ltd.	Taipei	Insurance agency	3,000	3,000	500	100.00%	26,320	12,242	12,242	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	148,380	148,380	-	25.31%	6,301	(1,770)	(448)	Subsidiary
Mercuries & Associates Holding, Ltd.	Tastynoodle Co., Ltd.	Samoa	Investment	147,913	147,913	-	100.00%	763	-	-	Subsidiary
Mercuries & Associates Holding, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	192,057	192,057	-	86.67%	9,935	(4,524)	(3,920)	Subsidiary
Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	506,220	500,000	55,000	55.00%	78,976	(255,610)	(127,860)	Subsidiary
Mercuries & Associates Holding, Ltd.	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Securities Investment Trust	86,800	86,800	1,971	3.28%	102,787	899,981	29,551	Associate
Mercuries Data Systems Ltd.	Mercuries Data Systems International Ltd.	British Virgin Islands	Investment	738,652	738,652	-	100.00%	232,787	(15,113)	(15,113)	Subsidiary
Mercuries Data Systems Ltd.	Hipact Tech Inc.	Taipei	Operation Management Consultant and computer equipment installation	114,435	114,435	146	72.80%	7,181	492	358	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Information Systems International Co., Ltd	Taipei	Software and data processing services	3,000	3,000	300	100.00%	1,425	(221)	(221)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	59,737	57,892	6,188	0.25%	104,162	1,444,538	9,670	Subsidiary

Appendix 5 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries Data Systems Ltd.	Digicentre Company Limited.	Taipei	Software services	150,000	150,000	6,864	28.92%	172,188	28,168	8,147	Associate
Mercuries Data Systems International Ltd.	Core Info Tech Limited(Hong Kong)	Hong Kong	Investment	715,423	715,423	-	100.00%	233,608	(15,115)	(15,115)	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	20,000	20,000	2,000	2.81%	19,761	20,862	587	Subsidiary
Mercuries & Associates, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	29,995	29,995	-	13.33%	1,529	(4,524)	(603)	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	80,408	12,769	10,456	0.40%	169,808	1,444,538	1,330	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	356,117	356,117	63,881	2.55%	1,201,654	1,444,538	30,152	Subsidiary
Mercury Fu Bao Co., Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, Manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	118,791	65,164	1,931	2.43%	144,846	360,124	8,146	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	75,262	75,262	3,718	5.23%	36,735	20,862	1,091	Subsidiary
Mercury Fu Bao Co., Ltd.	Hipact Tech Inc.	Taipei	Operation Management Consultant and computer equipment installation	103	103	10	5.17%	510	492	25	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	49,303	49,303	-	7.62%	1,897	(1,770)	(135)	Subsidiary
Mercury Fu Bao Co., Ltd.	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Securities Investment Trust	133,200	133,200	3,602	6.00%	188,009	899,981	54,031	Associate
Mercury Fu Bao Co., Ltd.	Horizon Securities Co., Ltd	Taipei	Integrated Securities Houses	135,631	135,631	20,286	6.13%	255,056	414,718	24,921	Associate

Appendix 5 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries Harvest Co., Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	7,000	7,000	687	0.97%	7,009	20,862	202	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	144,691	140,408	14,366	0.57%	242,802	1,444,538	8,391	Subsidiary
Mercuries F&B Co., Ltd.	Horizon Securities Co., Ltd	Taipei	Integrated Securities Houses	49,903	49,903	7,129	2.16%	89,633	414,718	8,747	Associate
Mercuries F&B Co., Ltd.	Mercuries Leisure Co., Ltd	Taipei	Leisure and entertainment	70,000	70,000	6,749	9.49%	66,680	20,862	1,980	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	275,896	275,896	-	45.74%	11,384	(1,770)	(809)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries F&B Consulting Co., Ltd	Taipei	Catering retail and management	19,400	19,400	1,940	97.00%	11,369	(6,316)	(6,127)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Food Service Japan Ltd	Japan	Catering retail	27,013	16,079	10	100.00%	27,007	(13,463)	(13,463)	Subsidiary
SCI Pharmtech Inc.	Yushan Pharmaceuticals, Inc.	Taoyuan City Luzhu Dist	Processing, Manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	351,761	351,761	35,190	100.00%	349,186	(537)	(537)	Subsidiary
M. T. I. CIGARS CO., LTD.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	134,428	134,428	-	21.33%	5,308	(1,770)	(377)	Subsidiary
Mercuries Furniture Co., Ltd.	Mercuries Life Insurance Co., Ltd	Taipei	Life insurance	143,635	143,635	11,629	0.46%	195,734	1,444,538	6,967	Subsidiary
Mercuries Liquor & Food Co., Ltd.	Shang Rih Ltd.	Taipei	Retail	6,000	6,000	600	100.00%	6,103	1,334	1,334	Subsidiary
Simple Mart Retail Co., Ltd.	Simple Mart Plus Co., Ltd.	Taipei	Catering retail	60,000	60,000	6,000	100.00%	44,508	(4,232)	(4,232)	Subsidiary

Appendix 5 Information on investees

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognized by parent company for the year ended December 31, 2020(Notes 1)	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value (Note2)			
Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	55,980	-	45,000	45.00%	55,431	(255,610)	(549)	Subsidiary
Shang Rih Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Japan	Sales of liquor, beverage and food	4,116	4,116	-	100.00%	5,455	1,371	1,371	Subsidiary
Mercuries Life Insurance Co., Ltd	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Investment consulting and asset management	825,352	825,352	18,426	30.71%	1,283,103	899,981	276,378	Associate
Mercuries Life Insurance Co., Ltd	Horizon Securities Co., Ltd.	Taipei	Integrated Securities Houses	263,113	263,113	28,570	8.64%	359,212	414,718	36,303	Associate
Mercuries Life Insurance Co., Ltd	CMG International One Co., Ltd	Taipei	Residence and Buildings Lease Construction and Development	675,000	675,000	67,500	45.00%	674,804	(2,567)	(1,155)	Associate
Mercuries Life Insurance Co., Ltd	CMG International Two Co., Ltd	Taipei	Residence and Buildings Lease Construction and Development	675,000	675,000	67,500	45.00%	671,963	(4,762)	(2,143)	Associate

Note 1:Including the current amortization of unrealized gains and losses and the difference between the investment cost and the equity net value the current amortization.
Note 2:Including rent for related-party of the fair value adjustment of investment property.

Appendix 6 Information on investments in Mainland China:

UNIT：NTD (In Thousands)/Foreign Currency(In Thousands)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2020(Note 2)	Book value of investment in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
Beijing Mercury Computer Information System Equipment Co., Ltd.	Devolpe,design,produce and sale of ATM and computer's transportation equipment	US1 million	(2)	$33,475	$-	$-	$33,475	$-	100.00%	$- (2)	$-	$-
Nanjing Sanshang Computer Software Development Co., Ltd.	Computer software, information software development, production, sales, self-produced product management and related technical consulting services	US21 million	(2)	668,244	-	-	668,244	(15,119)	100.00%	(15,119) (2)B	229,976	-
Nanjing Dingshang Digital Technology Co., Ltd.	Engineering design and construction of software development, electronic technology research and development, technology transfer service, communication, network, electromechanical, transportation, etc.	RMB4 million	(3)	-	-	-	-	(1,126)	42.00%	(474) (2)B	3,614	-
Mercuries Foodservice (Shanghai) Ltd.	Food and beverage management	-	(2)	293,020	-	1,500	-	-	-	- (2)	-	-
Mercuries Bakery (Shanghai) Ltd.	Baked goods	-	(2)	375,267	-	20,250	-	-	-	- (2)	-	-
Mercuries Rich Ltd.	Consumer goods and beverage retail	-	(2)	309,682	-	16,292	-	(4,141)	100.00%	(4,141) (2)B	-	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
$701,719	(1)Beijing Mercury Computer Information System Equipment Co., Ltd. invested USD$1,000,000. (2)Nanjing Dingshang Digital Technology Co., Ltd. invested USD$19,818,822.	$1,332,113

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3)Others.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2020' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Appendix 7、Derivative financial instruments undertaken during the year ended December 31, 2020.

(1) The information of derivatives financial instruments

1. MLI

The MLI's derivative instruments includes forward foreign exchange contracts, foreign exchange swaps contracts, and cross currency swaps contracts. Relevant information is as follows:

(1) Type, purpose, contract (principal) value and carrying amount

The MLI's forward foreign exchange contracts, foreign exchange swaps contracts, and cross currency swaps contracts are mainly used to avoid the risk arise from changing in interest rate.

The MLI's hedging strategy is aimed to avoid most of the market price risk. The MLI uses derivatives (which fair value are inversely proportional to the assets being hedged) as hedging instruments and assesses it regularly. However, the derivatives do not meet the conditions of hedge accounting, thus, they are classified as financial assets held for trading.

The details of the derivative instruments held by MLI which does not meet the conditions of hedge accounting are as follows:

	December 31, 2020		
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$4,686,573	USD	8,328,000
Cross currency swaps contracts	566,673	USD	720,000
Structured bonds	579,168	USD	20,000
	$5,832,414		
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$1,699,941	USD	6,234,000
Forward foreign exchange contracts	47,907	CNH	1,950,000
Forward foreign exchange contracts	71,753	NZD	127,800
Forward foreign exchange contracts	159,606	AUD	168,700
Futures	108	-	-
	$1,979,315		

	December 31,2019		
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$6,541,819	USD	14,487,000
Forward foreign exchange contracts	8,000	SGD	54,600
Cross currency swaps contracts	52,114	USD	70,000
Structured bonds	7,778,710	USD	260,000
	$14,380,643		
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	$130,276	USD	170,000
Forward foreign exchange contracts	53,373	NZD	92,500
Forward foreign exchange contracts	67,528	AUD	150,000
	$251,177		

(2)Fair Value

The fair value of the derivative is the amount that MLI may claim or have to pay if the contract is terminated on the reporting date. It generally includes unrealized gains and losses from outstanding contracts for the current period. The fair value of MLI's derivatives is calculated from the quotation of financial institutions.

The company's futures transactions for hedging purpose on December 31, 2020 is as follow:

December 31, 2020					
Open position					
Item	type	Buyer/ Seller	Open position	Contract principal amount	Market value
Futures	Taiwan Stock Price Index Futures	Seller	1	$2,828	$(108)

The futures of MLI held on December 31, 2019 was closed.

The margin paid for futures exchange were $1,133,469 thousand and $1,539,950 thousand on December 31, 2020 and 2019, respectively. The margins were classified under guarantee deposits.

(3) Presentation of derivatives on financial statement

Derivatives of the Company (including forward foreign exchange, cross currency swaps, structured deposits and convertible corporate bonds conversion rights) presented under balance sheet are as follows:

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss	$5,832,414	$14,380,643
Financial liabilities at fair value through profit or loss	$1,979,315	$251,177

Mercuries & Associates Holding, Ltd.

Chairman: Chen, Shiang-Li