

Stock Number: 2905

Mercuries & Associates Holding, Ltd.

2023 Annual Shareholders' Meeting

Meeting Agenda  
(Translation)

June 16, 2023

## **Table of Contents**

<b>I. Meeting Agenda</b>	1
1. Reported matters	2
2. Acknowledged matters	4
3. Matters for Discussion	5
4. Election matters	9
5. Extraordinary Motions	9
<b>II. Attachment</b>	
1. 2022 Business Report	10
2. Audit Committee's Review Report	17
3. Independent Auditors' Report and 2022 Consolidated Financial Statements	18
4. Deficit compensation Table	37
5. Execution situation of issue the first time domestic unsecured convertible corporate bonds	38
6. Comparison Table for the Corporate Governance Best Practice Principles Before and After Amendment	39
7. Comparison Table for the Sustainable Development Best Practice Principles Before and After Amendment	46
8. Candidate List for Independent Director	48

## **Table of Contents**

### **III. Appendix**

1. Corporate Governance Best Practice Principles (before Amendment)	49
2. Sustainable Development Best Practice Principles (before Amendment)	64
3. Articles of Incorporation	71
4. Rules and Procedures of Shareholders Meeting	76
5. Rules for Election of Directors	86
6. Shareholding of Directors	88
7. Information on Stock Grants, Compensations for Directors and Employees	89

# Mercuries & Associates Holding, Ltd.

## 2023 Annual Shareholders' Meeting Agenda

Convening Shareholders' Meeting by Means of: Physical shareholders' meeting

Time: 9:00 a.m., Friday, June 16, 2023

Place: 20F, No. 145, Section 2, Jianguo North Road, Taipei City

I. Announcing the Meeting

II. Chairman's Address

III. Reported matters:

- (1) The 2022 business report.
- (2) Audit Committee's review the 2022 business report and financial statements.
- (3) The 2022 distribution for the employee bonus and directors' remuneration.
- (4) The 2022 Endorsement Guarantee handling situation.
- (5) Execution situation of issue the first time domestic unsecured convertible corporate bonds.
- (6) Amendments of "Corporate Governance Best Practice Principles".
- (7) Amendments of "Sustainable Development Best Practice Principles".

IV. Acknowledged matters:

- (1) Ratification of the 2022 business report and financial statements.
- (2) Ratification of the 2022 proposal for the deficit compensation.

V. Matters for Discussion:

- (1) The Company's subsidiary, Mercuries F&B Co., Ltd., applied for listing and trading on the Taiwan Stock Exchange.

VI. Election matters:

- (1) Election of one additional independent director.

VII. Extraordinary Motions

VIII. Meeting Adjourned

## Reported matters

1. The 2022 business report. (Proposed by the Board of Directors)

Description: Please refer to Attachment 1 on Pages 10 to 16 of the Handbook for the 2022 business report.

2. Audit Committee's review the 2022 business report and financial statements. (Proposed by the Board of Directors)

Description: Please refer to Attachment 2 on Page 17 of the Handbook for the 2022 Audit Committee's review report.

3. The 2022 distribution for the employee bonus and directors' remuneration. (Proposed by the Board of Directors)

Description: Please refer to Appendix 7 on Page 89 of the Handbook for information on the 2022 directors' and employees' compensation.

4. The 2022 Endorsement Guarantee handling situation. (Proposed by the Board of Directors)

Description:

- (1) As of December 31, 2022, the Company and its subsidiaries endorsement/guarantee balance was NT\$50,000 thousand.

Unit: NT\$1,000

No.	Company Name of Endorser/ Guarantor	Endorsed/ Guaranteed Party		Limitation on Endorsements and Guarantees for a Single Enterprise (Note 2)	Maximum Balance for the Period	Endorsement or Guarantee Balance at the End of Current Period	Actual Expenditure	Amount of Endorsement / Guarantee with Security on Property	Percentage of Accumulated Amount of Endorsement/Guarantee to Net Equity of Most Recent Financial Statements	Endorsement / Guarantee Ceiling (Note 3)
		Company Name	Relationship (Note 1)							
0	Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	2	\$1,526,425	\$200,000	\$-	\$-	\$-	-	\$3,052,850
0	Mercuries & Associates Holding, Ltd.	Mercuries Liquor & Food Co., Ltd.	2	1,526,425	50,000	50,000	-	-	0.49%	3,052,850

Note 1: The relationship between the endorser/guarantor and the Company is classified into the following six categories:

- (1) Companies with business relationship.
- (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) More than 50% voting shares of the subsidiary directly held by the endorser/guarantor parent company or indirectly held by subsidiary.
- (5) Companies which guarantee each other according to contract based on contractor relationship.
- (6) Joint venture endorsed/guaranteed by shareholders based on their holding ratio.

Note 2: The amount of endorsement/guarantee for one single company cannot exceed 15% of the Company's net equity on the financial statements.

Note 3: The Company's total endorsement/guarantee cannot exceed 30% of the Company's net equity on the financial statements.

- (2) The proposal has been reported to the Shareholders Meeting according to the Company's procedures on handling endorsement/guarantee.

5. Execution situation of issue the first time domestic unsecured convertible corporate bonds  
(Proposed by the Board of Directors)

Description:

- (1) Please refer to Attachment 5 on Pages 38 the Handbook for the implementation of the Company's first time issue domestic unsecured convertible corporate bonds.

6. Amendments of "Corporate Governance Best Practice Principles"  
(Proposed by the Board of Directors)

Description:

- (1) The Company proposed to amend the "Corporate Governance Best Practice Principles" according to the amendments to the laws and practices.
- (2) Please refer to Attachment 6 on Pages 39 to 45 of the Handbook for the comparison table for the "Corporate Governance Best Practice Principles" before and after the amendment.

7. Amendments of "Sustainable Development Best Practice Principles"  
(Proposed by the Board of Directors)

Description:

- (1) The Company proposed to amended the "Sustainable Development Best Practice Principles" according to the amendments to the laws and practices.
- (2) Please refer to Attachment 7 on Pages 46 to 47 of the Handbook for the comparison table for the "Sustainable Development Best Practice Principles" before and after the amendment.

Acknowledged matters
----------------------

Proposal 1

(Proposed by the Board of Directors)

Ratification of the 2022 business report and financial statements.

Description:

- (1) The Company's 2022 financial statements (including standalone financial statements) have been approved by the Board of Directors and reviewed by the Audit Committee.
- (2) Please refer to Attachment 1 on Pages 10 to 16 and Attachment 3 on Pages 18 to 36 of the Handbook for the 2022 business report, CPA audit report (including CPA audit report of standalone financial statements) and financial statements (including standalone financial statements).
- (3) Please proceed to ratify the proposal.

Resolution:

Proposal 2

(Proposed by the Board of Directors)

Ratification of the 2022 proposal for the deficit compensation.

Description:

- (1) The net loss after tax of the Company in 2022 is \$5,089,793,803. After adding the undistributed earnings at the beginning of the period of \$3,246,455,646 and deducting the undistributed earnings variables of the investee companies of \$691,403,870, the accumulated deficit to be covered at the end of the period is \$2,534,742,027. The board of directors decides not to distribute dividends.
- (2) Please refer to Attachment 4 on Page 37 of the Handbook for the table of 2022 deficit compensation.
- (3) Please proceed to ratify the proposal.

Resolution:

## Matters for Discussion

### Proposal 1

(Proposed by the Board of Directors)

Proposal: The Company's subsidiary, Mercuries F&B Co., Ltd., applied for listing and trading on the Taiwan Stock Exchange.

#### Description:

(I) According to Article 48-4 of the Operating Rules of the Taiwan Stock Exchange Corporation (hereinafter referred to as the “Operating Rules”), to which Article 48-3 of the Operating Rules applies mutatis mutandis, the Company shall evaluate and disclose the following matters in the event that its subsidiary Mercuries F&B Co., Ltd. (hereinafter referred to as “Mercuries F&B”) applies for trading of shares for trading on the Taiwan Stock Market:

#### 1. Purpose of application for listing of shares for trading on the Taiwan Stock Market by Mercuries F&B

Formerly affiliated to the F&B Business Division under the Company’s wholly-owned subsidiary Mercuries & Associates Ltd. (hereinafter referred to as “Mercuries & Associates”), Mercuries F&B is a local Taiwanese food retailer that focuses on providing regular diners with affordable dining options. On January 1, 2019, Mercuries & Associates announced the split-off and transfer of its F&B Division to another wholly-owned subsidiary of the Company, Napoli Co. Ltd., which was later renamed Mercuries F&B to unify the operation and management of all the Company’s F&B retail businesses with the aim of achieving greater synergy. Mercuries F&B currently runs a series of F&B brands, including Sanshang Qiaofu, Napoli, Tonkatsu, Sanshang Don Mono, Pin Chuan Lan, BANCO, Qiaofu Plus, and Napoli Fried Chicken. As of 2022, there are 381 outlets under the F&B brands owned by Mercuries F&B. The purpose of the proposed listing of shares for trading on the Taiwan Stock Market by Mercuries F&B is not only to increase the company’s popularity as well as attract and motivate outstanding professional talents, but also to improve its corporate governance and internal control system during its preparation for listing, and thus enhance its business management efficiency. Should the listing of its shares for trading on the Taiwan Stock Market be successful, Mercuries F&B will not only be able to raise funds from capital markets, but also reduce the costs of financing and loans, which will be conducive to its efforts to expand its businesses into both the local and overseas markets and form alliances with its peers or other industries. Aside from the positive benefits arising from the listing of Mercuries F&B to the image and business operations of Mercuries F&B, the Company can also leverage the rising value of Mercuries F&B to increase the value of its investment, thereby benefiting both the Company and all its shareholders on the whole.

#### 2. Impact of the listing of Mercuries F&B on the Company’s financial and business operations, anticipated adjustments to the Company’s organizational structure and business operations, and their impact on the Company



The Company is an investment holding company, whose subsidiaries engage in a wide range of businesses, including life insurance, F&B retailing, daily commodities retailing, manufacturing and sales of raw materials and pharmaceuticals, and information services. These subsidiaries not only have their own professional management team and implement division of labor among themselves, but also take responsibility for their own business performance. The same also applies to Mercuries F&B. On the other hand, the Company oversees the allocation of the Group's resources while diversifying its businesses and investment risks to boost synergy within the Group. Therefore, the listing of Mercuries F&B will not only have no impact on the business operations of the Company, but can also bolster Mercuries F&B's ability to raise capital and obtain financing on its own, which in turn reduces the pressure on the Company to inject capital into Mercuries F&B, thereby enabling the Company to enjoy more flexibility and elasticity in regards to capital utilization. Mercuries F&B currently owns a central kitchen that manufactures and processes the main raw materials under one roof. A number of departments, including procurement, management, business analysis, marketing, finance, accounting, and auditing, have been set up under its operational headquarters. These departments are tasked with managing the entire logistics operations and supporting the development of each brand under Mercuries F&B. These brands, which are run and managed by their own professional managers, have put in place their own operational units and stores according to the operation of their brand. At present, Mercuries F&B is a subsidiary in which the Company has a direct investment and controlling interest. Since there will be no change to the Company's investment structure after the listing of Mercuries F&B, the listing of Mercuries F&B will have no material adverse impact on the Company.

3. Method of ownership dispersion at Mercuries F&B, estimated reduction in shareholdings, basis for determining share price, targets of equity transfer or specific targets under consideration for equity transfer

The Company currently owns 93.63 percent of Mercuries F&B shares. In order to meet the requirement that the total number of shares held by the Company and its subsidiaries, the directors, supervisors, and representatives of the aforesaid companies, as well as shareholders who hold more than 10% of the total shares of the aforesaid companies and their related parties during the listing of Mercuries F&B on the TWSE (or TPEx) may not exceed 70 percent of the total number of shares issued by Mercuries F&B at the time of listing, the method of ownership dispersion, expected reduction in shareholdings, basis for determining share price, targets of equity transfer or specific targets under consideration for equity transfer as planned in the application for listing of shares for trading on the TWSE (or TPEx) by Mercuries F&B are detailed as follows:

- (1) Method of ownership dispersion, targets of equity transfer or specific targets under consideration for equity transfer
  - a. The Company shall dispose of the Mercuries F&B shares it holds in one or more tranches, where the priority targets in the aforesaid disposal of shares are shareholders whose name appears on the Company's shareholder register on the most recent book closure date, and the number of shares they subscribe to shall be calculated in

proportion to their shareholdings in the Company. If the Company's shareholders give up or undersubscribe the aforesaid shares, it is proposed that the Chairman be authorized to open the subscription of the aforesaid shares to specific targets under consideration. These targets shall include employees at Mercuries F&B, employees at the Company and its affiliates, as well as strategic or financial investors who are beneficial to the operations and development of Mercuries F&B. The Company shall dispose of the shares it holds in Mercuries F&B during the listing of Mercuries F&B in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, as well as the applicable laws and regulations.

- b. If Mercuries F&B engages in a cash capital increase, the Company may, by a resolution passed by the Board of Directors, give up all or part of the Mercuries F&B shares it may subscribe to in proportion to its shareholding in Mercuries F&B during the cash capital increase. The subscription of the Mercuries F&B shares given up by the Company as mentioned above shall be open to specific targets under consideration. Specifically, shareholders whose name appears on the Company's shareholder register on the most recent book closure date shall first be invited to participate in the subscription of the aforesaid shares during the cash capital increase carried out by Mercuries F&B before the invitation is extended to employees at the Company and its affiliates or strategic or financial investors who are beneficial to the operations and development of Mercuries F&B. The Company shall subscribe to or give up the Mercuries F&B shares issued during the cash capital increase in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, as well as the applicable laws and regulations.
- c. In future offerings of Mercuries F&B shares before the company applies for registration as an emerging stock or listing of shares for trading on the TWSE (or TPEx), the Company shall allocate these shares for subscription by securities and handle overallotments in accordance with the relevant laws and regulations and the rules and regulations promulgated by the TWSE (or TPEx).

(2) Estimated reduction in shareholdings

Based on calculations made with the Company's percentage of shareholding in Mercuries F&B using the method explained in (1), the Company's percentage of shareholding in Mercuries F&B is estimated to decline by no less than 20 percent, which should meet the requirement that the Company and its subsidiaries, as well as related personnel may not hold more than 70 percent of the total number of shares issued by Mercuries F&B during the aforesaid listing of shares for trading on the TWSE (or TPEx) by Mercuries F&B. However, the Company's consolidated shareholdings, including both direct and indirect shareholdings, in Mercuries F&B shall still be required to exceed 50 percent of the total number of shares issued by Mercuries F&B during the listing of Mercuries F&B on the TWSE (or TPEx) in order to maintain its control over Mercuries F&B and realize synergy within the Group.

(3) Basis for determining share price

When disposing of the shares it holds in Mercuries F&B or giving up the subscription of

shares issued by Mercuries F&B during a cash capital increase, the Company shall carry out the procedures for determining the price of these shares in accordance with the relevant laws and regulations applicable to both the Company and Mercuries F&B. An independent expert shall be appointed, when necessary, to issue an opinion on the reasonableness of the share price as a reference for the Company's Audit Committee and Board of Directors when deliberating on the relevant proposals. When the Company allocates these shares for subscription by securities and handles overallotments in conjunction with future offerings of Mercuries F&B shares before Mercuries F&B applies for registration as an emerging stock or listing of shares for trading on the TWSE (or TPEx), the number and price of the shares to be allocated shall be jointly determined with the underwriters in accordance with the relevant laws and regulations, the relevant rules and regulations promulgated by the TWSE (or TPEx), the prevailing market conditions, and the operations and profitability of Mercuries F&B.

4. Whether the listing of Mercuries F&B will have an impact on the continuous listing of the Company on the TWSE

Mercuries F&B will apply for listing of shares for trading on the Taiwan Stock Market in accordance with the relevant laws and regulations. After the listing of Mercuries F&B on the TWSE (or TPEx), Mercuries F&B will remain a subsidiary of the Company as the Company will continue to have a controlling interest in Mercuries F&B. Therefore, the interests of the Company's existing shareholders will be fully protected. In addition, there is no reason why the Company will not be allowed to continue the listing of its shares for trading on the TWSE due to the listing of Mercuries F&B on the TWSE (or TPEx). Hence, the listing of Mercuries F&B will not affect the continuous listing of the Company on the TWSE.

- (II) This proposal has been approved by the Audit Committee and Board of Directors on March 16, 2023.
- (III) It is requested that the proposal on the application for listing of shares for trading on the Taiwan Stock Market by the Company's subsidiary Mercuries F&B be submitted to the shareholders' meeting for approval. Upon approval of the proposal, the Chairman shall be authorized to handle this proposal with full authority.
- (IV) Please proceed to resolve on the proposal.

Resolution:

## Election matters

### Proposal 1

(Proposed by the Board of Directors)

Proposal: Election of one additional independent director

Description:

- (1) The Company's 20th Board of Directors had 9 seats (including 3 independent directors), in order to strengthen the functions of the board of directors and implement corporate governance, the company plans to increase one seat for independent director whose term starts from June 16, 2023 to August 12, 2024.
- (2) The election of the above independent director shall be based on the candidate nomination system in accordance with Article 17 of the articles of incorporation and Article 192-1 of the Company Act, which has been examined and approved by the board of directors of the Company. Please refer to Attachment 8 on Page 48 for the list of independent directors and relevant information
- (3) Please proceed to elect.

Election Results:

## Extraordinary Motions

## Meeting Adjourned

## Attachment 1

# Mercuries & Associates Holding, Ltd. 2022 Business Report

Mercuries & Associates Holdings, Ltd. (hereinafter referred to as the “Company”) is an investment holding company with investments primarily in life insurance, daily commodities and food and beverage (F&B) retailing, pharmaceuticals, and information services. The Company has been seeking to optimize its investments in consideration of its long-term development plans and striving to develop a more diversified, multi-market business model in an attempt to continuously improve its operational performance through specialization and economies of scale.

## I. 2022 Business Report

### (I) Outcomes of Business Plan

The Company duly executed its investment strategies after prudent evaluation while aptly utilizing the Group’s resources to form joint ventures and strategic partnerships with local and overseas business partners on an ongoing basis. The outcomes of the Company's 2022 business plan for its principal investments are detailed as follows:

#### 1. Daily commodities and F&B retailing

As the COVID-19 pandemic plateaued in 2022, the policy of living with COVID-19 and retaliatory consumption led to a decline in the number of people cooking at home, which in turn affected the sales of food products. At the same time, rising operating costs at the Company’s stores due to manpower shortages amid rising COVID-19 infections among employees and the rapid clear-out and replacement of products, along with a delay in the Company’s original store expansion plan resulted from supply shortages in the labor market, also had an impact on the Company’s operating revenue and profits. With chain stores eventually serving as the last mile in the development of e-commerce amid the rise of online retailing, the Company substantially increased the number of stores providing parcel delivery and pickup services for online shopping in 2022, enabling the Company to not only generate revenue from service fees, but also attract consumers other than existing ones to visit its stores and thus expand its customer base. On the other hand, the Company’s overall revenue from F&B retailing continued to experience slight growth despite the reduced impact of the COVID-19 pandemic after it reached a plateau. At present, the proliferation of innovative cross-industry partnerships in the market and the rapid growth of e-commerce platforms and takeaway food delivery applications, coupled with rising raw material and commodity prices, personnel costs, and operating expenses, pose even more challenges to the business operations of physical retail channels. In order to improve profitability, the Company not only keeps abreast of competitor-related developments and market intelligence at all times, but also adjusts its product structure and develops new products based on consumer trends while leveraging its large membership base to increase customer stickiness and eventually boost its revenue and profits. Compared to 2021, the Company added five new outlets to its existing retail stores, thus bringing the total number of retail stores to 1,455 in 2022.

#### 2. Life insurance

The global economic environment has been hit hard repeatedly by a number of shocks throughout the year. A series of factors such as the COVID-19 pandemic and geopolitical tensions not only led to disruptions in the energy supply chain, but also accelerated the rise in inflationary pressure across the globe. According to the World Economic Outlook

published by the International Monetary Fund (IMF), the global economy was projected to experience weaker-than-expected growth at a 3.4% rate in 2022. As the adoption of IFRS 17 and the solvency-related International Capital Standard (ICS) nears, in addition to the competent authorities' ongoing effort to bolster the structure of the life insurance industry through the introduction of various supervisory indicators and requirements stipulated in official letters aimed at maintaining stability in the financial market, how to implement ESG risk management and adjust the prudent selection of investment targets for the purpose of achieving financial stability and sustainability will serve as a major challenge for the life insurance industry. Having maintained a steadfast business style, the Company carried on promoting the sales of guaranteed and investment-linked products to generate steady revenue from service fees, and adding sources of profit such as mortality savings and loading surpluses to reduce interest rate risks. In 2022, the Company generated NT\$29.602 billion in revenue from new contracts and NT\$114.930 in total premium revenue, ranking 10th and 7th in the industry, respectively.

### 3. Pharmaceuticals

Owing to the fire incident at SCI Pharmtech, Inc., the division continued to suffer serious damage to its productivity this year. Without economies of scale, the division's operating costs remained relatively high. However, the division's gross profit margin rose to 32% following its move to prioritize the production and sale of high-margin products. With the reconstruction of damaged production facilities and resumption of operations at the Luzhu Plant scheduled to reach the 60% mark in the second half of 2023, all the production lines are expected to resume operations at the end of 2023. Meanwhile, the Guanyin Plant is scheduled to begin operations in 2024. The Company successfully renewed its drug permit license and Good Manufacturing Practice (GMP) certificate after undergoing a GMP assessment on the production facilities within the reconstructed area of the Luzhu Plant. At the same time, changes in production facilities and equipment, validation and products in the plant area after the incident have also been reported to key administrative agencies around the world, such as the European Directorate for the Quality of Medicines and Health Care (EDQM), the U.S. Food and Drug Administration (FDA), and the Japanese Pharmaceuticals and Medical Devices Agency (PMDA). There were also no concerns over the export of active pharmaceutical ingredients (APIs), thanks to the Company's continuous effort to maintain the validity of all the registered drug permit licenses for APIs.

### 4. Information services

In 2022, the division posted a consolidated operating revenue of NT\$3.788 billion, an 8.5% increase from 2021 and a new high in recent years, as well as a net income after tax of NT\$192 million, up 29% from 2021. At the same time, the division also reported a high-margin maintenance revenue of NT\$1.315 billion and a gross profit of NT\$576 million, with a gross profit margin of around 44%, which indicates that the division's sales efforts over the past few years have borne fruit as evidenced by the gradual generation of steady revenue and profit from maintenance services.

## (II) Budget Implementation, Income and Expenditure, and Profitability Analysis

In 2022, the Company posted a consolidated operating revenue of NT\$209 billion, up 11% from 2021, with a budget achievement rate of 110%. In terms of profit, the Company recorded NT\$5.090 billion in loss attributable to the parent company and NT\$5.82 in loss after tax per share. As reported in the standalone financial statements, the Company's return on assets and return on equity were (20.91) % and (34.05) %, respectively.

### (III) Research and Development

#### 1. Daily commodities and F&B retailing

Faced with a highly volatile business environment and consumer demand and rising operating costs in the intensely competitive daily commodities and F&B retailing market, the Company incessantly adjusts its product lineup and marketing strategies based on market trends and demand while constantly optimizing its digitalization efforts and bolstering management, manufacturing, logistics, and marketing using big data. In addition, the Company develops differentiated marketing campaigns for individual stores to enhance the competitiveness of each outlet and increase customer stickiness. The Company also expands into niche markets to enhance its regional competitive advantage, thereby improving its brand image as a whole.

#### 2. Life insurance

With a focus on continuously developing protection and investment products, Mercuries Life Insurance (MLI) has completed the development of new products, including term health insurance, term accident insurance, and spillover policy to facilitate compliance with IFRS 17 and the solvency-related ICS. In the future, MLI will continue its existing product strategy, keep a close eye on market demand, and develop products with high contract value and high contractual service margin in compliance with the rules and regulations promulgated by the competent authorities, in an effort to minimize interest rate risks and increase revenue from mortality savings and loading surpluses while completing its product lines for all channels. Moreover, MLI will develop a core system as scheduled and establish a seamless connection to the digital era via this system, in hopes of providing faster and steadier service systems. At the same time, MLI will also concentrate on nurturing and developing digital talents to steadily transform its application system and enhance overall work efficiency. On the other hand, MLI will establish a climate risk management mechanism in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), thus formally placing climate change risks under its control.

#### 3. Pharmaceuticals

In keeping with the Company's personnel policy of not filling up vacancies in 2022, the Company's research and development (R&D) staff continued to support production at leased plants. Specifically, some of the staff members assisted in handling installation qualification (IQ), operational qualification (OQ), and performance qualification (PQ) required for newly purchased equipment and carrying out resumption of operations at these plants while optimizing production processes for old products on an ongoing basis, with hopes of conserving energy and reducing waste in line with global ESG trends. The R&D Department has not only developed Buprenorphine, a new medication for addiction treatment, but also established and carried out processes for the mass production of this product subsequently so that it can be mass-produced through the Company's production lines. Moreover, the R&D Department has also achieved excellent results in the manufacturing process for another medication for Alzheimer's disease that it has developed, whose quality has gained recognition from customers. Recent clinical data collected by customers have also confirmed the efficacy of this product.

#### 4. Information services

Mercuries Data Systems Ltd. (MDS) continues to turn its R&D achievements into patents to protect intellectual property, enabling the Company to actively accumulate competitive advantage while raising the competitive threshold as well.

## II. Overview of 2023 Business Plan

### (I) Operating Objectives

With a focus on business management, the Company will not only enhance its capital structure, diversify its businesses, and minimize investment risks, but also consolidate the operating experience of various business divisions and reach out to local and overseas partners while carefully evaluating its investment strategies and bolstering its competitiveness, in hopes of expanding its business territory via integrated planning and eventually enhancing its value.

### (II) Key Production and Distribution Policies

#### 1. Daily commodities and F&B retailing

Aside from achieving economies of scale by opening new stores to reduce procurement costs and maintain growth momentum, the Company will also phase out and shut down poorly performing stores from time to time. The Company strives to improve its product structure, phase out products with poor sales, increase product turnover, and sell high-margin imported products and private label products to carry out effective market segmentation. Furthermore, the Company will adjust its franchise system with a view to not only increasing the profits generated by franchisees and motivating franchise stores to raise their sales performance, but also raising the proportion of franchisees in its business and reducing personnel costs and rent. At the same time, the Company also endeavors to optimize professional skills and affinity among service personnel to create a high-quality consumption environment, as well as develop information systems to enhance customer stickiness by means of big data analysis and precision marketing. The Company strongly emphasizes on the need to carry out a benefit assessment before opening a new store, so as to maximize benefits arising from the manpower and money used in opening new stores.

#### 2. Life insurance

On the financial side, the Company will solidify its capital, carry out sound asset and liability allocation and risk management to minimize investment risks and increase fixed income, expand revenue from mortality savings and loading surpluses, and ensure smooth and steady adoption of IFRS 17 and the solvency-related ICS. On the channel side, the Company will refine its product lines, offer differentiated products, and bolster the operational capabilities of its business units through channel training programs and digital applications to aid the development of business channels. As far as digital transformation is concerned, the Company will actively incorporate the use of digital technology applications to boost operational efficiency and steadily transform its application system. On the other hand, the Company's brand marketing strategy continues to revolve around creating the Company's image as a specialist in protection and investment products. In the area of customer service, the Company will carry on boosting operational efficiency, promoting the practice of treating customers fairly, and enhancing customer experience. In an effort to effectively reduce interest rate risks and increase revenue from mortality savings and loading surpluses, the Company will continue to launch and sell investment and protection products. Furthermore, the Company will not only develop products that meet policyholders' needs based on market demand analysis, but also control exchange rate risk and pursue steady revenue from service fees and fixed profit sources to achieve the goal of steady and sustainable operations.



### 3. Pharmaceuticals

The operating objectives for the Company's pharmaceutical business are listed as follows:

- (1) Maintain a close relationship with customers and establish business relationships with original medicine developers.
- (2) Diversify production sites, maintain operational flexibility, and develop the contract development and manufacturing company (CDMO) business model.
- (3) Promote circular economy and contribute to a sustainable earth.

The Company's product-specific and client-specific policies on production and distribution are presented as follows:

- (1) Active pharmaceutical ingredients (APIs): Priority will be given to APIs produced by original developers in the medicine supply. Popular products should be avoided, while existing APIs with higher safety criteria, stable sales, new uses or new dosage forms, that are involved in the R&D of new drugs, or that can be used as starting materials for new drugs will be included in the lineup.
- (2) Intermediates: In principle, intermediates produced by original developers in the medicine supply will first be chosen, followed by intermediates for controlled medicines with high barriers to entry, key intermediates which are subject to strict regulations or quality management procedures, intermediates related to SCI Pharmtech's core technologies, intermediates from the Company's strategic partners, and intermediates involved in the R&D of new drugs. The aforementioned types of intermediates can help effectively segregate SCI Pharmtech from market competition and avoid price wars.
- (3) Specialty chemicals: SCI Pharmtech produces and distributes electronic specialty chemicals that are of high standards in the pharmaceutical industry. It develops the production process for specialty chemicals, as well as customizes and mass-produces them according to customer requirements.

### 4. Information services

Adopting a customer-oriented approach, MDS carefully selects and undertakes large-scale public construction projects that generate substantial revenue from high-margin maintenance services and create related business opportunities subsequently. Furthermore, MDS continuously expands into new businesses to create differentiation value, and improves its software development capabilities, thus demonstrating its commitment to product development while increasing its competitiveness in the market.

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

### (I) Effect of External Competition

As the application of technology and the Internet advances, various areas in all industries, such as management, manufacturing, marketing, logistics, distribution, cash flows, and R&D, along with people's lifestyle in relation to food, clothing, housing, transportation, education, and entertainment are deeply and inevitably affected by digitization and information security. Be it in life insurance, pharmaceuticals, daily commodities and F&B retailing or information services, it is imperative for the Company to not only provide differentiated products and quality and responsive services, respond to rapid changes in the industry structure, and cope with the volatility of market competition, manpower shortages, inflationary pressures, and changing customer consumption patterns, but also identify,

assess, and respond adequately to expected or unexpected risks that have the potential of affecting operations, in order to alleviate the impact of external competition.

## (II) Effect of the Regulatory Environment

Issues such as increased adoption of corporate sustainability, rising employee awareness, environmental protection, food safety, and corporate governance, have become increasingly important in today's rapidly developing and ever-changing society. There are also seemingly innumerable laws and regulations for businesses to comply with. While the laws and regulations concerning life insurance place an emphasis on the financial structure of the insurance business, the competent authorities also make continuous efforts to ensure that insurance companies are able to steadily align themselves with the latest IFRS 17 through the introduction of various supervisory indicators and requirements stipulated in official letters as the adoption of IFRS 17 nears. On the other hand, the Financial Supervisory Committee is actively promoting the development of ESG by not only implementing the Sustainable Development Roadmap for TWSE and TPEX Listed Companies and the Green Finance Action Plan 3.0, but also rolling out the Financial Sustainability Evaluation for the first time in 2023, thus demonstrating its commitment to deepening the development of sustainable finance in Taiwan and building a model of sustainable finance. Meanwhile, the pharmaceutical industry is governed by pharmaceutical laws such as the Pharmaceutical Affairs Act and the Pharmaceutical Good Manufacturing Practice Regulations. However, the regulatory environment is constantly changing and evolving as the European Union, the U.S., and Japan promulgate and implement stricter measures on an ongoing basis to ensure the quality and safety of pharmaceutical products, with data integrity being of paramount importance. On the other hand, workplace sanitation and safety, consumer health and safety, in-store waste and wastewater treatment, greenhouse gas emissions, energy conservation, and carbon reduction, in addition to the well-known issue of food hygiene and safety and the increasingly stringent fire safety regulations for retail stores, have also become important topics for companies in the daily commodities and F&B retailing business. The Company employs legal personnel with relevant experience in each line of business to not only handle legal affairs and implement regulatory compliance in normal times, but also closely monitor changes in policies, laws, and regulations that may affect its financial and business operations on an ongoing basis. In the event of a significant regulatory change or event, the Company also seeks advice from external legal experts, and steps up training for employees, with a view to complying with the relevant laws and regulations and continuously optimizing its business structure.

## (III) Effect of the Macroeconomic Environment

Looking back on 2022, the World Economic Outlook published by the IMF not only reported that the global economy is projected to grow at a lower-than-expected rate of 3.4% in 2022. The same report also pointed out that while the key to the future of the global economy hinges on the adjustment of monetary policies by central banks around the world, efforts to tackle and curb inflation should be made in coordination with fiscal policies, so that countries across the globe can reduce the impact of inflation and tide over the crisis. According to preliminary statistics published by the Directorate-General of Budget, Accounting and Statistics (DGBAS) in February 2023, Taiwan's economy grew 2.45% in 2022, down from 6.53% in 2021. Meanwhile, statistics from the Ministry of Economic Affairs revealed that revenue in the retail and F&B industries grew 7.81% and 18.70%, respectively.

Looking ahead to 2023, the IMF forecast in January 2023 that the global economy will grow 2.9% in 2023, down from 3.4% in 2022; while the DGBAS forecast in February 2023 that Taiwan's economy will grow 2.12% in 2023, down from 2.45% in 2022.

The following uncertainties have also been identified by the Company:

1. The impact of monetary policy trends among countries around the world on the global economy and financial markets.
2. Subsequent developments after the lifting of COVID-19 restrictions in Mainland China and the corresponding impact on the global economy.
3. Subsequent developments in the U.S.-China tech war and the evaluation of international geopolitical relations.
4. The impact of stalemate in the Ukraine-Russia war and extreme weather on international raw material prices.
5. The progress in rolling out the Special Act for Strengthening Economic and Social Resilience and Sharing the Fruits of Economic Growth in the Post-pandemic Era and executing the corresponding budget.

As it is evident that the international landscape remains highly volatile at present, it is necessary to keep a close eye on the impact of the aforesaid uncertainties on Taiwan's economy.

#### IV. Future Development Strategies

The Company has grown its principal businesses for more than 30 years. To grow its businesses steadily, the Company has actively adopted an innovative mindset and implemented innovative approaches to reduce operating risks. With a highly professional management team at the helm, the Company not only provides a wide array of services that meet the needs of society in relation to clothing, food, housing, transportation, education, and entertainment, but also endeavors to enhance the value of our brand as the provider of an enjoyable consumption environment for the population at large.

In that spirit, the Company will continue to integrate resources within the Group, uphold the core value of carefully evaluating investment strategies, as well as pursue investment opportunities under cross-industry partnerships and any possibilities for novel investment projects. At the same time, the Company strives to expand its businesses through vertical integration and diversification while assisting its subsidiaries in resource integration, so as to achieve business synergy, scale up its business operations, and maximize shareholder wealth. In addition, the Company will carry on fulfilling corporate social responsibility and realizing corporate sustainability in a proactive manner. Last but not least, the Company would like to express its utmost appreciation to all shareholders for their unwavering care and support.

## Attachment 2

# Mercuries & Associates Holding, Ltd. Audit Committee's Review Report

The 2022 business report, financial statements, and deficit compensation proposal have been prepared by the Board of the Directors. The financial statements have been audited by the CPAs Kun-His Hsu and Shu-Chen Chang of BDO Taiwan Union & Co. and an audit report has been submitted. The aforesaid business report, financial statements, and deficit compensation proposal have been reviewed by the Audit Committee and no misstatement was found. Therefore, we have prepared the review report for your review and ratification in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2023 Annual Shareholders' Meeting

Convener of the Audit Committee: Li Mao

March 16, 2023

## Attachment 3

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of  
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, 2022 and 2021, 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, 2022 and 2021, 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 Standard on Auditing of 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, 2022. 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 4.27 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 6.22 and Note 12.7 for insurance reserves details, change and adjustment, and risk management 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 of financial assets at fair value through profit or loss and fair value through other comprehensive income 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 4.32 for the related accounting policy of retail sales revenue.

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.

### ***Emphasis of matter paragraph***

As described in Note 12.15 to the consolidated financial statements, Mercuries Life Insurance Co., Ltd. has resolved by the board of directors to change the business model for managing its financial assets on December 6, 2022 and designate the date of reclassification on January 1, 2023. Accordingly, we do not modify our audit opinion.

### ***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 these subsidiaries were \$14,900,545 thousand and \$13,668,201 thousand, constituting 1.00% and 0.96% of the total consolidated assets as of December 31, 2022 and 2021 respectively, and total comprehensive income were \$658,269 thousand and \$554,180 thousand, constituting (3.27)% and (200.84)% of total consolidated comprehensive income for the years ended December 31, 2022 and 2021, respectively. As described in Note 6.10, the financial statements of certain investee companies under equity method were audited by other auditors. Thus, the amounts and information of those 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 in the aforementioned investee companies were amounted to \$5,924,375 thousand and \$3,805,152 thousand, constituted 0.40% and 0.27% of the total consolidated asset as of December 31, 2022 and 2021, respectively, and the recognized shares of profit of associates and joint ventures accounted for under equity method of these investee companies were \$204,063 thousand and \$641,520 thousand, constituted (1.49)% and 99.27% of the consolidated profit before income tax for the years ended December 31, 2022 and 2021, respectively.

We have audited the parent company only financial statements of Mercuries & Associates Holding, Ltd. and expressed an unqualified opinion with other matter paragraph as of and for the years ended December 31, 2022 and 2021.

### ***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 Standard on Auditing of the Republic of China 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 Standard on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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.

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 Kun-His Hsu and Shu-Chen Chang.

BDO TAIWAN

March 16, 2023

**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, 2022 and 2021

UNIT : NTD (In Thousands)											
Assets	Notes	December 31, 2022	%	December 31, 2021	%	Liabilities & Stockholders' Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current assets						Current liabilities					
Cash and cash equivalents		\$50,249,445	3.38	\$100,356,813	7.03	Short-term borrowings		\$1,397,000	0.09	\$590,000	0.04
Financial assets at fair value through profit or loss - current		108,705	0.01	360,401	0.03	Short-term notes and bills payable		779,930	0.05	949,985	0.07
Financial assets at fair value through other comprehensive income - current		141	-	127	-	Contract liabilities - current		942,198	0.06	780,485	0.05
Financial assets at amortized cost - current		17,673	-	39,334	-	Accounts payable		6,664,901	0.45	8,254,651	0.58
Contract assets - current		342,028	0.02	509,754	0.04	Commissions payable		799,455	0.05	873,230	0.06
Accounts receivable, net		11,020,414	0.74	14,112,961	0.99	Claims and benefits payable		694,034	0.05	699,858	0.05
Current income tax assets		743,391	0.05	463,268	0.03	Due to reinsurers and ceding companies		1,558,138	0.10	1,315,863	0.09
Inventories		5,474,454	0.37	4,539,620	0.32	Current income tax liabilities		148,675	0.01	141,307	0.01
Prepayments		1,080,600	0.07	471,280	0.03	Advanced receipts		98,037	0.01	123,413	0.01
Reinsurance contract assets, net		2,204,688	0.15	1,629,869	0.11	Long-term liabilities - current portion		14,678	-	-	-
Other current assets		188,731	0.01	168,771	0.01	Lease liabilities - current		1,208,545	0.09	1,314,353	0.09
Bills discounted and loans, net		69,256,217	4.67	70,474,553	4.94	Other current liabilities		222,307	0.02	481,095	0.04
Sub-total		140,686,487	9.47	193,126,751	13.53	Sub-total		14,527,898	0.98	15,524,240	1.09
						Non-current liabilities					
						Financial liabilities at fair value through profit or loss - non-current		3,424,218	0.23	127,201	0.01
						Contract liabilities - non-current		8,196	-	10,644	-
						Bonds payable		10,356,454	0.70	10,341,380	0.72
						Long-term borrowings		9,021,392	0.61	6,030,000	0.42
						Other long-term liabilities		4,108	-	-	-
						Provisions - non-current		1,259,104,135	84.74	1,203,579,402	84.34
						Separate account liabilities for unit-linked products		143,001,896	9.62	136,143,090	9.54
						Guarantee deposits received		2,537,719	0.17	1,814,258	0.13
Non-current assets						Lease liabilities - non-current		3,018,301	0.20	2,749,701	0.19
Financial assets at fair value through profit or loss - non-current		79,201,415	5.33	63,596,148	4.46	Deferred tax liabilities		7,559,016	0.51	1,627,100	0.11
Financial assets at fair value through other comprehensive income - non-current		44,507,311	3.00	46,041,385	3.23	Other non-current liabilities		1,610,788	0.10	1,873,695	0.14
Financial assets at amortized cost - non-current		1,000,833,858	67.36	919,991,107	64.47	Sub-total		1,439,646,223	96.88	1,364,296,471	95.60
Investments accounted for under equity method		6,020,037	0.41	3,902,840	0.27	Total Liabilities		1,454,174,121	97.86	1,379,820,711	96.69
Property, plant and equipment		18,810,716	1.27	19,391,729	1.36	Equity attributable to owners of the parent					
Right-of-use assets		4,109,008	0.28	3,937,272	0.28	Share Capital					
Investment property, net		21,697,576	1.46	26,130,520	1.83	Common stock		9,224,957	0.62	9,131,067	0.64
Intangible assets		260,249	0.02	204,797	0.01	Capital collected in advance		-	-	2,553	-
Deferred tax assets		16,054,191	1.07	7,886,160	0.55	Capital surplus		2,749,366	0.19	2,455,481	0.17
Other non-current assets		153,662,973	10.33	142,837,794	10.01	Retained earnings					
Sub-total		1,345,157,334	90.53	1,233,919,752	86.47	Legal reserve		2,753,775	0.19	2,575,337	0.18
						Special reserve		5,990,502	0.40	5,566,015	0.39
						Unappropriated earnings(Accumulated deficit)		(2,534,742)	(0.17)	4,854,079	0.34
						Other equity		(7,519,412)	(0.51)	(4,375,416)	(0.31)
						Treasury stock		(488,279)	(0.03)	(488,279)	(0.03)
						Total equity attributable to owners of the parent		10,176,167	0.69	19,720,837	1.38
						Non-controlling interests		21,493,533	1.45	27,504,955	1.93
						Total Equity		31,669,700	2.14	47,225,792	3.31
Total assets		\$1,485,843,821	100.00	\$1,427,046,503	100.00	Total Liabilities and Equity		\$1,485,843,821	100.00	\$1,427,046,503	100.00

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOMES  
For the Years Ended December 31, 2022 and 2021

Item	Notes	UNIT : NTD (In Thousands)			
		2022	%	2021	%
Operating revenue					
Interest income		\$34,804,381	16.65	\$31,410,434	16.67
Premiums income		79,854,971	38.21	94,097,770	49.95
Commission on reinsurance ceded		44,631	0.02	41,304	0.02
Fee income		2,564,506	1.23	2,380,291	1.26
Share of profit of associates and joint ventures accounted for under equity method		218,170	0.10	655,579	0.35
Separate account revenue for unit-linked products		519,967	0.25	9,503,814	5.05
Gain on financial assets (liabilities) measured at fair value through profit or loss		-	-	9,420,132	5.00
Realized gains on financial assets measured at fair value through other comprehensive income		-	-	121,295	0.06
Gain arising from derecognition of financial assets measured at amortized cost		2,026,181	0.97	8,063,423	4.28
Net sales revenue					
Sales revenue		28,482,918	13.63	27,765,649	14.74
Sales returns		(28,602)	(0.01)	(20,935)	(0.01)
Sales discounts and allowances		(4,530)	-	(2,310)	-
Rental income		379,834	0.18	412,054	0.22
Service revenue		594,192	0.28	556,178	0.30
Gain on disposal of investments		254,776	0.12	644,471	0.34
Gain on disposal of property, plant and equipment		-	-	108,055	0.06
Gain on investment property		1,820,218	0.87	793,476	0.42
Reserve for fluctuation of foreign exchange movement		(6,969,055)	(3.33)	(161,061)	(0.09)
Profit reclassified by applying overlay approach		3,221,236	1.54	2,053,002	1.09
Gain on reversal of expected credit impairment loss		-	-	72,924	0.04
Gain on foreign exchange		60,511,196	28.95	-	-
Other income		705,977	0.34	457,657	0.25
Total operating revenue		209,000,967	100.00	188,373,202	100.00
Operating cost					
Interest expenses		(149,100)	(0.07)	(110,320)	(0.06)
Underwriting expenses		(30,728)	(0.01)	(32,127)	(0.02)
Commission expenses		(5,639,225)	(2.70)	(6,031,793)	(3.20)
Insurance claims and benefits		(90,985,803)	(43.53)	(73,537,826)	(39.04)
Other insurance liabilities movement		(22,550,576)	(10.79)	(50,112,107)	(26.60)
Separate account expenses for unit-linked products		(519,967)	(0.25)	(9,503,814)	(5.05)
Loss on financial assets (liabilities) measured at fair value through profit or loss		(67,875,521)	(32.48)	-	-
Realized losses on financial assets measured at fair value through other comprehensive income		(283,405)	(0.14)	-	-
Cost of goods sold		(20,163,000)	(9.65)	(19,885,264)	(10.56)
Service cost		(12,856)	(0.01)	(12,865)	(0.01)
Operating expenses					
Selling expense		(5,937,541)	(2.84)	(5,795,024)	(3.08)
General and administrative expenses		(6,958,141)	(3.33)	(6,761,627)	(3.59)
Research and development expenses		(251,830)	(0.12)	(225,503)	(0.12)
Loss on disposal of property, plant and equipment		(21,291)	(0.01)	-	-
Loss on impairment losses		(2,023)	-	(2,038)	-
Loss on expected credit impairment loss		(798,904)	(0.38)	-	-
Loss on foreign exchange		-	-	(15,137,458)	(8.04)
Other expense		(554,351)	(0.26)	(579,221)	(0.29)
Total operating cost		(222,734,262)	(106.57)	(187,726,987)	(99.66)
Profit (loss) before income tax from continuing operations		(13,733,295)	(6.57)	646,215	0.34
Income tax (expenses) benefits		1,142,229	0.55	1,965,773	1.05
Net profit (loss) from continuing operations		(12,591,066)	(6.02)	2,611,988	1.39
Net profit (loss)		(12,591,066)	(6.02)	2,611,988	1.39
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		(10,527)	(0.01)	(40,931)	(0.02)
Revaluation reserve of property		1,207,998	0.58	-	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(392,716)	(0.19)	254,537	0.14
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		(121,252)	(0.06)	104,451	0.06
Income tax relating to components		(90,257)	(0.04)	(12,879)	(0.01)
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		21,032	0.01	(4,626)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income		(5,605,545)	(2.68)	(1,326,754)	(0.70)
Other comprehensive income (loss) on reclassification under the overlay approach		(3,221,236)	(1.54)	(2,053,002)	(1.09)
Income tax relating to components		670,128	0.32	191,285	0.09
Other comprehensive income (loss)		(7,542,375)	(3.61)	(2,887,919)	(1.53)
Total comprehensive income (loss)		(20,133,441)	(9.63)	(275,931)	(0.14)
Profit (loss) attributable to:					
Shareholders of the parent		(5,089,794)	(2.43)	1,890,261	1.00
Non-controlling interests		(7,501,272)	(3.59)	721,727	0.39
Total		(12,591,066)	(6.02)	2,611,988	1.39
Comprehensive income (loss) attributable to:					
Shareholders of the parent		(8,348,400)	(3.99)	692,062	0.37
Non-controlling interests		(11,785,041)	(5.64)	(967,993)	(0.51)
Total		\$(20,133,441)	(9.63)	\$(275,931)	(0.14)
Earnings per share					
Income (loss) from continuing operations, net of income tax		\$(5.82)		\$2.17	
Basic earnings (loss) per share (in dollars)		\$(5.82)		\$2.17	
Diluted earnings per share (in dollars)		\$-		\$1.95	
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		\$(5,042,001)		\$1,938,231	
Earnings per share		\$(5.47)		\$2.11	

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Summary	Equity Attributable to Shareholders of the Parent														Non-Controllin g Interest	Total
	Share Capital		Capital Surplus	Retained Earnings			Other Equity Interests					Treasury Stock	Subtotal			
	Common Stock	Share capital collected in advance		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	Revaluation Reserve of Properties	Reclassification to Other Comprehensive Income Due to The Overlay Approach	Others					
Balance on January 1, 2021	\$9,093,510	\$0	\$2,032,125	\$2,464,186	\$4,068,090	\$5,590,916	\$(16,259)	\$99,710	\$0	\$(3,177,107)	\$6,643	\$(532,672)	\$19,629,142	\$27,185,239	\$46,814,381	
Appropriation earnings 2020																
Legal reserve	-	-	-	111,151	-	(111,151)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	1,500,716	(1,500,716)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(909,351)	-	-	-	-	-	-	(909,351)	-	(909,351)	
Stock options from issuing convertible bonds	-	-	77,332	-	-	-	-	-	-	-	-	-	77,332	-	77,332	
Effects of changes in ownership interest from investee	-	-	228,275	-	-	(165,423)	-	-	-	-	-	-	62,852	-	62,852	
Changes in unappropriated retained earnings of investees	-	-	-	-	-	(30,661)	-	-	-	-	-	-	(30,661)	-	(30,661)	
Changes in capital surplus of investees	-	-	(38,369)	-	-	-	-	-	-	-	-	-	(38,369)	-	(38,369)	
Net profit (loss)	-	-	-	-	-	1,890,261	-	-	-	-	-	-	1,890,261	721,727	2,611,988	
Other comprehensive income (loss)	-	-	-	-	-	104,452	(4,340)	(456,151)	-	(842,160)	-	-	(1,198,199)	(1,689,720)	(2,887,919)	
Conversion of convertible bonds	37,557	2,553	46,684	-	-	-	-	-	-	-	-	-	86,794	-	86,794	
Disposal of common stock of the Company held by subsidiaries	-	-	55,826	-	-	-	-	-	-	-	-	44,393	100,219	-	100,219	
Dividends from the Company received by subsidiaries	-	-	47,970	-	-	-	-	-	-	-	-	-	47,970	-	47,970	
Differences of acquisition or disposal price and book value of subsidiaries	-	-	5,638	-	-	-	-	-	-	-	-	-	5,638	-	5,638	
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	1,287,709	1,287,709	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(330)	-	330	-	-	-	-	-	-	-	
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	-	(13,918)	-	13,918	-	-	-	-	-	-	-	
Changes in special reserve of investees	-	-	-	-	(2,791)	-	-	-	-	-	-	-	(2,791)	-	(2,791)	
Balance on January 1, 2022	\$9,131,067	\$2,553	\$2,455,481	\$2,575,337	\$5,566,015	\$4,854,079	\$(20,599)	\$(342,193)	\$0	\$(4,019,267)	\$6,643	\$(488,279)	\$19,720,837	\$27,504,955	\$47,225,792	
Appropriation earnings 2021																
Legal reserve	-	-	-	178,438	-	(178,438)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	424,487	(424,487)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(913,362)	-	-	-	-	-	-	(913,362)	-	(913,362)	
Stock dividends	91,337	-	-	-	-	(91,337)	-	-	-	-	-	-	-	-	-	
Effects of changes in ownership interest from investee	-	-	-	-	-	(534,208)	-	-	-	-	-	-	(534,208)	-	(534,208)	
Changes in unappropriated retained earnings of investees	-	-	-	-	-	(35,942)	-	-	-	-	-	-	(35,942)	-	(35,942)	
Changes in capital surplus of investees	-	-	245,971	-	-	-	-	-	-	-	-	-	245,971	-	245,971	
Allocation of compensation cost of investees	-	-	-	-	-	-	-	-	-	-	(6,643)	-	(6,643)	-	(6,643)	
Net profit (loss)	-	-	-	-	-	(5,089,794)	-	-	-	-	-	-	(5,089,794)	(7,501,272)	(12,591,066)	
Other comprehensive income (loss)	-	-	-	-	-	(121,253)	10,487	(2,232,161)	429,596	(1,345,275)	-	-	(3,258,606)	(4,283,769)	(7,542,375)	
Advance receipts for common stock transferred to common stock	2,553	(2,553)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends from the Company received by subsidiaries	-	-	47,792	-	-	-	-	-	-	-	-	-	47,792	-	47,792	
Differences of acquisition or disposal price and book value of subsidiaries	-	-	122	-	-	-	-	-	-	-	-	-	122	-	122	
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	5,773,619	5,773,619	
Balance on December 31, 2022	\$9,224,957	\$0	\$2,749,366	\$2,753,775	\$5,990,502	\$(2,534,742)	\$(10,112)	\$(2,574,354)	\$429,596	\$(5,364,542)	\$0	\$(488,279)	\$10,176,167	\$21,493,533	\$31,669,700	

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and 2021

Items	2022	UNIT : NTD (In Thousands) 2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	(\$13,733,295)	\$646,215
Adjustments for		
Income and expenses having no effect on cash flows		
Depreciation	2,361,032	2,327,466
Amortization	119,369	145,306
Net change in insurance liabilities	22,839,386	50,332,304
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	67,862,019	(9,420,132)
Net gain on financial assets or liabilities at fair value through other comprehensive income	271,031	(121,295)
Interest expense	537,007	524,050
Net gain arising from derecognition of financial assets measured at amortized cost	(2,026,181)	(8,063,423)
Interest income	(34,804,381)	(31,410,434)
Net change in reserve for fluctuation of foreign exchange movement	6,969,055	161,061
Reversal of expected credit impairment losses on investments	792,353	(70,451)
Expected credit impairment losses (gains) on non-investments	8,500	(439)
Share-based payments	141,300	22,620
Share of profit of associates and joint ventures accounted for under equity method	(218,170)	(655,579)
(Profit) loss reclassified by applying overlay approach	(3,221,236)	(2,053,002)
Loss on disposal of property, plant and equipment	(149,298)	(88,214)
Gain on disposal of investment property	(1,292,975)	(216,296)
Gain on rights transferred of the sale and leaseback	47,965	-
Gain on fair value adjustment of investment property	(59,792)	(37,210)
Rent revenue of leaseback	(1,522)	-
Loss on disposal of intangible assets	-	7
Loss on unrealized foreign exchange	(85,481,172)	7,116,373
Net cash generated from Income and expenses having no effect on cash flows	(25,305,710)	8,492,712
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	(83,390,141)	28,369,283
(Increase) decrease in accounts receivable	3,009,469	(3,250,552)
(Increase) decrease in inventories	(934,834)	(109,812)
(Increase) decrease in prepayments	(352,777)	98,619
(Increase) decrease in contract assets	167,726	(100,513)
(Increase) decrease in other current assets	(19,960)	50,381
(Increase) decrease in reinsurance contract assets	(333,722)	(442,713)
(Increase) decrease in other assets	(457,907)	(154,445)
Net cash generated from changes in assets related to operating activities	(82,312,146)	24,460,248
Changes in liabilities related to operating activities:		
Increase (decrease) in accounts payable	(1,382,347)	531,701
Increase (decrease) in provisions	(183,333)	(205,808)
Increase (decrease) in contract liabilities	159,266	(130,138)
Increase (decrease) in other liabilities	(140,627)	(196,933)
Others	24,975,979	(7,498,124)
Net cash generated from changes in liabilities related to operating activities	23,428,938	(7,499,302)
Net cash generated from changes in assets and liabilities related to operating activities	(58,883,208)	16,960,946
Total adjustments	(84,188,918)	25,453,658
Cash inflow generated from operations		
Interest received	31,227,408	38,197,404
Dividends received	3,648,019	2,257,783
Interest paid	(576,399)	(491,768)
Income taxes paid	(786,768)	438,346
Net cash flows generated from (used in) operating activities	(64,409,953)	66,501,638
Cash flows from (used in) investing activities		
Decrease in loans	1,248,753	(189,638)
Acquisition of financial assets at fair value through profit or loss	(31,111)	-
Proceeds from disposal of financial assets at fair value through profit or loss	266,421	-
Acquisition of financial assets at fair value through other comprehensive income	(13,837,870)	(25,660,480)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,513,393	23,509,874
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	27,978	116,013
Acquisition of financial assets at amortized cost	(54,402,954)	(245,276,160)
Proceeds from disposal of financial assets at amortized cost	23,651,659	56,254,415
Proceeds from repayments of financial assets at amortized cost	35,175,278	81,244,104
Acquisition of investment accounted for under equity method	(2,371,500)	(373,500)
Disposal of investments accounted under the equity method	397,198	1,120,689
Acquisition of subsidiary	1,023	-
Acquisition of property, plant and equipment	(2,889,033)	(5,024,758)
Proceeds from disposal of property, plant and equipment	1,190,830	159,881
Decrease (increase) in guarantee deposits	806,935	243,838
Acquisition of intangible assets	(164,258)	(72,256)
Acquisition of investment property	(8,537)	(19,245)
Proceeds from disposal of investment property	8,281,337	1,392,600
Net cash flows generated from (used in) investing activities	6,855,542	(112,574,623)
Cash flows from (used in) financing activities		
Increase (decrease) in short-term borrowings	807,000	(75,000)
Increase (decrease) in short-term notes and bills payable	(170,055)	(299,839)
Issuance of bonds payable	-	2,996,500
Proceeds from long-term borrowings	61,301,517	65,756,500
Repayments of long-term borrowings	(58,295,447)	(68,233,000)
Increase (decrease) in guarantee deposits received	723,461	(851,988)
Repayment of the principle portion of lease liabilities	(1,471,664)	(1,559,523)
Cash dividends	(977,635)	(1,025,406)
Cash capital increase	5,673,751	1,295,886
Increase(decrease) in non-controlling interest	(151,970)	216,137
Net cash generated from (used in) financing activities	7,438,958	(1,779,733)
Effect of exchange in exchanges rate on cash and cash equivalents	8,085	(5,254)
Net increase (decrease) in cash and cash equivalents	(50,107,368)	(47,857,972)
Cash and cash equivalents at beginning of period	100,356,813	148,214,785
Cash and cash equivalents at end of period	\$50,249,445	\$100,356,813

## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Mercuries & Associates Holding, Ltd. as of December 31, 2022 and 2021, 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 financial positions of the Mercuries & Associates Holding, Ltd. as of December 31, 2022 and 2021, and its financial performance and its 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 Standard on Auditing of 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, 2022. 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 completeness and accuracy of recording insurance reserves**

Description:

Various insurance reserves of the subsidiary 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.

### **Valuation of investment assets**

Description:

The subsidiary Mercuries Life Insurance’s fair value measurement of financial assets at fair value through profit or loss and fair value through other comprehensive income 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:**

Retail sales revenue of the subsidiary Mercuries & Associates, Ltd. and Simple Mart Retail Co., Ltd. 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.

### **Other matter**

As described in Note 6.5, the financial statements of certain investee companies 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 \$4,006,326 thousand and \$4,022,161 thousand, constituted 19.67% and 14.48% of the total assets as of December 31, 2022 and 2021 respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for under equity method of these investee companies were \$271,361 thousand and \$420,743 thousand, constituted (5.36)% and 22.44% of the profit before income tax for the years ended December 31, 2022 and 2021, respectively.

## **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.

## **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 Standard on Auditing of the Republic of China 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 Standard on Auditing of the Republic of China, 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.
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 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 Kun-His Hsu and Shu-Chen Chang.

BDO TAIWAN

March 16, 2023

**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, 2022 and 2021

UNIT : NTD (In Thousands)

Assets	Notes	December 31, 2022	%	December 31, 2021	%	Liabilities & Stockholders' Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current assets						Current liabilities					
Cash and cash equivalents		\$186,630	0.92	\$347,895	1.25	Other payables		\$49,160	0.24	\$69,699	0.25
Financial assets at fair value through other comprehensive income - current		141	-	127	-	Current income tax liabilities		21,029	0.10	2	-
Notes receivable, net		11,696	0.06	10,190	0.04	Lease liabilities - current		16,397	0.08	-	-
Accounts receivable, net		97	-	1,159	-	Other current liabilities		29,485	0.15	27,941	0.10
Other receivables		4,515	0.02	4,461	0.02	Sub-total		116,071	0.57	97,642	0.35
Prepayments		-	-	462	-	Non-current liabilities					
Sub-total		203,079	1.00	364,294	1.31	Financial liabilities at fair value through profit or loss - non-current		34,532	0.17	2,214	0.01
						Bonds payable		2,166,454	10.63	2,151,380	7.74
						Long-term borrowings		7,411,219	36.38	5,600,000	20.16
						Deferred tax liabilities		148,706	0.73	151,777	0.55
						Lease liabilities - non-current		184,809	0.91	-	-
						Other non-current liabilities		134,440	0.66	56,107	0.20
Non-current assets						Sub-total		10,080,160	49.48	7,961,478	28.66
Financial assets at fair value through other comprehensive income - non-current		68,782	0.34	86,362	0.31	Total Liabilities		10,196,231	50.05	8,059,120	29.01
Financial assets at amortized cost - non-current		250,000	1.23	250,000	0.90	Equity					
Investments accounted for under equity method		17,661,982	86.70	24,603,708	88.57	Share Capital					
Property, plant and equipment		1,010	-	2,299	0.01	Common stock		9,224,957	45.28	9,131,067	32.87
Right-of-use assets		176,624	0.87	-	-	Capital collected in advance		-	-	2,553	0.01
Investment property, net		1,995,563	9.80	2,457,564	8.85	Capital surplus		2,749,366	13.50	2,455,481	8.84
Intangible assets		839	-	1,500	0.01	Retained earnings					
Other non-current assets		14,519	0.06	14,230	0.04	Legal reserve		2,753,775	13.52	2,575,337	9.27
Sub-total		20,169,319	99.00	27,415,663	98.69	Special reserve		5,990,502	29.40	5,566,015	20.04
						Unappropriated earnings(Accumulated deficit)		(2,534,742)	(12.44)	4,854,079	17.47
						Other equity		(7,519,412)	(36.91)	(4,375,416)	(15.75)
						Treasury stock		(488,279)	(2.40)	(488,279)	(1.76)
						Total Equity		10,176,167	49.95	19,720,837	70.99
Total assets		\$20,372,398	100.00	\$27,779,957	100.00	Total Liabilities and Equity		\$20,372,398	100.00	\$27,779,957	100.00

MERCURIES & ASSOCIATES HOLDING, LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue		<u>\$(4,880,108)</u>	100.00	<u>\$1,761,551</u>	100.00
Gross profit (loss)		<u>(4,880,108)</u>	100.00	<u>1,761,551</u>	100.00
Net gross profit (loss)		<u>(4,880,108)</u>	100.00	<u>1,761,551</u>	100.00
Operating expenses					
General and administrative expenses		<u>(104,340)</u>	2.14	<u>(174,970)</u>	(9.93)
Total operating expenses		<u>(104,340)</u>	2.14	<u>(174,970)</u>	(9.93)
Operating profit (loss)		<u>(4,984,448)</u>	102.14	<u>1,586,581</u>	90.07
Non-operating income and expenses					
Interest income		8,386	(0.17)	3,102	0.18
Other income		18,753	(0.38)	24,796	1.41
Other gains and losses		(32,676)	0.67	311,469	17.68
Financial costs		<u>(69,177)</u>	1.41	<u>(50,818)</u>	(2.89)
Sub-total		<u>(74,714)</u>	1.53	<u>288,549</u>	16.38
Profit (loss) before income tax		<u>(5,059,162)</u>	103.67	<u>1,875,130</u>	106.45
Income tax (expenses) benefit		<u>(30,632)</u>	0.63	<u>15,131</u>	0.86
Net profit (loss) from continuing operations		<u>\$(5,089,794)</u>	104.30	<u>\$1,890,261</u>	107.31
Net profit (loss)		<u><u>\$(5,089,794)</u></u>	<u>104.30</u>	<u><u>\$1,890,261</u></u>	<u>107.31</u>
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		<u>\$(17,110)</u>	0.35	<u>\$(27,580)</u>	(1.57)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method		<u>144,082</u>	(2.95)	<u>225,567</u>	12.81
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		<u>1,808</u>	(0.04)	<u>(477)</u>	(0.03)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for under equity method		<u>(3,387,386)</u>	69.41	<u>(1,395,709)</u>	(79.23)
Other comprehensive income (loss), net of income tax		<u><u>\$(3,258,606)</u></u>	<u>66.77</u>	<u><u>\$(1,198,199)</u></u>	<u>(68.02)</u>
Total comprehensive income (loss)		<u><u>\$(8,348,400)</u></u>	<u>171.07</u>	<u><u>\$692,062</u></u>	<u>39.29</u>
Earnings per share					
Basic earnings (loss) per share (in dollars)		<u><u>\$(5.82)</u></u>		<u><u>\$2.17</u></u>	
Diluted earnings per share (in dollars)		<u><u>\$-</u></u>		<u><u>\$1.95</u></u>	
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		<u><u>\$(5,011,370)</u></u>		<u><u>\$1,923,100</u></u>	
Pro forma after income tax		<u><u>\$(5,042,001)</u></u>		<u><u>\$1,938,231</u></u>	
Earnings per share		<u><u>\$(5.47)</u></u>		<u><u>\$2.11</u></u>	

MERCURIES & ASSOCIATES HOLDING, LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Summary	Share Capital		Capital Surplus	Retained Earnings			Other Equity Interests				Treasury Stock	Total
	Common Stock	Share capital collected in advance		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	Revaluation Reserve of Properties	Others		
Balance on January 1, 2021	\$9,093,510	\$0	\$2,032,125	\$2,464,186	\$4,068,090	\$5,590,916	\$(16,259)	\$99,710	\$0	\$(3,170,464)	\$(532,672)	\$19,629,142
Appropriation of earnings 2020												
Legal reserve	-	-	-	111,151	-	(111,151)	-	-	-	-	-	-
Special reserve	-	-	-	-	1,500,716	(1,500,716)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(909,351)	-	-	-	-	-	(909,351)
Stock options from issuing convertible bonds	-	-	77,332	-	-	-	-	-	-	-	-	77,332
Effects of changes in ownership interest from investee	-	-	228,275	-	-	(165,423)	-	-	-	-	-	62,852
Changes in unappropriated earnings of investees	-	-	-	-	-	(30,661)	-	-	-	-	-	(30,661)
Changes in capital surplus of investees	-	-	(38,369)	-	-	-	-	-	-	-	-	(38,369)
Net profit (loss)	-	-	-	-	-	1,890,261	-	-	-	-	-	1,890,261
Other comprehensive income (loss)	-	-	-	-	-	104,452	(4,340)	(456,151)	-	(842,160)	-	(1,198,199)
Conversion of convertible bonds	37,557	2,553	46,684	-	-	-	-	-	-	-	-	86,794
Disposal of common stock of the Company held by subsidiaries	-	-	55,826	-	-	-	-	-	-	-	44,393	100,219
Dividends from the Company received by subsidiaries	-	-	47,970	-	-	-	-	-	-	-	-	47,970
Differences of acquisition or disposal price and book value of subsidiaries	-	-	5,638	-	-	-	-	-	-	-	-	5,638
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(330)	-	330	-	-	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	-	(13,918)	-	13,918	-	-	-	-
Changes in special reserve of investees	-	-	-	-	(2,791)	-	-	-	-	-	-	(2,791)
Balance on January 1, 2022	\$9,131,067	\$2,553	\$2,455,481	\$2,575,337	\$5,566,015	\$4,854,079	\$(20,599)	\$(342,193)	\$0	\$(4,012,624)	\$(488,279)	\$19,720,837
Appropriation of earnings 2021												
Legal reserve	-	-	-	178,438	-	(178,438)	-	-	-	-	-	-
Special reserve	-	-	-	-	424,487	(424,487)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(913,362)	-	-	-	-	-	(913,362)
Stock dividends	91,337	-	-	-	-	(91,337)	-	-	-	-	-	-
Effects of changes in ownership interest from investee	-	-	-	-	-	(534,208)	-	-	-	-	-	(534,208)
Changes in unappropriated earnings of investees	-	-	-	-	-	(35,942)	-	-	-	-	-	(35,942)
Changes in capital surplus of investees	-	-	245,971	-	-	-	-	-	-	-	-	245,971
Allocation of compensation cost of investees	-	-	-	-	-	-	-	-	-	(6,643)	-	(6,643)
Net profit (loss)	-	-	-	-	-	(5,089,794)	-	-	-	-	-	(5,089,794)
Other comprehensive income (loss)	-	-	-	-	-	(121,253)	10,487	(2,232,161)	429,596	(1,345,275)	-	(3,258,606)
Advance receipts for common stock transferred to common stock	2,553	(2,553)	-	-	-	-	-	-	-	-	-	-
Dividends from the Company received by subsidiaries	-	-	47,792	-	-	-	-	-	-	-	-	47,792
Differences of acquisition or disposal price and book value of subsidiaries	-	-	122	-	-	-	-	-	-	-	-	122
Balance on December 31, 2022	<u>\$9,224,957</u>	<u>\$0</u>	<u>\$2,749,366</u>	<u>\$2,753,775</u>	<u>\$5,990,502</u>	<u>\$(2,534,742)</u>	<u>\$(10,112)</u>	<u>\$(2,574,354)</u>	<u>\$429,596</u>	<u>\$(5,364,542)</u>	<u>\$(488,279)</u>	<u>\$10,176,167</u>

MERCURIES & ASSOCIATES HOLDING, LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and 2021

Items	UNIT : NTD (In Thousands)	
	2022	2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	\$(5,059,162)	\$1,875,130
Profit (loss) before tax	(5,059,162)	1,875,130
Adjustments for		
Income (gain) and expense (loss) items		
Depreciation	1,729	1,679
Amortization	661	423
Net gain (loss) on financial assets (liabilities) at fair value through profit or loss	32,319	(2,898)
Interest expense	69,177	50,818
Interest income	(8,386)	(3,102)
Dividend income	(12,147)	(9,726)
Share of profit (loss) of associates and joint ventures accounted for under equity method	5,163,752	(1,673,295)
Loss (gain) on disposal and scrap of property, plant and equipment	439	1,537
Loss (gain) on disposal of investment property	-	(216,296)
Loss (gain) on sales and leaseback	(297)	-
Loss (gain) on disposal of investments accounted for under equity method	(221,249)	-
Loss (gain) on investment property at fair value	(18,204)	(105,945)
Rent revenue of leaseback	(923)	-
Changes in assets and liabilities relating to operating activities		
(Increase) decrease in notes receivable	(1,506)	11,174
(Increase) decrease in accounts receivable	1,062	399
(Increase) decrease in other receivables	(54)	916
(Increase) decrease in prepaid expenses	462	1,364
Increase (decrease) in other payables	(28,854)	12,555
Increase (decrease) in advanced receipts	1,506	(11,173)
Increase (decrease) in other current liabilities	39	(38)
Interest received	8,386	548
Dividends received	1,016,140	787,763
Interest paid	(54,611)	(37,417)
Income taxes refund (paid)	(12,676)	(167,793)
Net cash flows generated from (used in) operating activities	877,603	516,623
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through other comprehensive income	457	782
Acquisition of financial assets at amortized cost	-	(250,000)
Acquisition of investments accounted for under equity method	(2,804,410)	(272,489)
Proceeds from disposal of investments accounted for under equity method	353,754	6,900
Acquisition of property, plant and equipment	-	(1,844)
Increase in guarantee deposits	(290)	-
Decrease in guarantee deposits	-	600
Acquisition of intangible assets	-	(1,714)
Proceed from disposal of Investment property	510,436	1,548,463
Net cash flows generated from (used in) investing activities	(1,940,053)	1,030,698
Cash flows from financing activities		
Increase in short-term borrowings	2,640,000	6,905,000
Decrease in short-term borrowings	(2,640,000)	(6,905,000)
Increase in short-term notes and bills payable	2,040,000	8,772,000
Decrease in short-term notes and bills payable	(2,040,000)	(8,772,000)
Issuance of bonds payable	-	2,306,500
Proceeds from long-term borrowings	56,626,000	63,766,500
Repayments of long-term borrowings	(54,811,000)	(66,438,000)
Increase in guarantee deposits received	882	570
Decrease in guarantee deposits received	(1,335)	(7,209)
Increase in other non-current liabilities	-	2
Cash dividends paid	(913,362)	(909,351)
Net cash generated from (used in) financing activities	901,185	(1,280,988)
Net increase (decrease) in cash and cash equivalents	(161,265)	266,333
Cash and cash equivalents at beginning of period	347,895	81,562
Cash and cash equivalents at end of period	\$186,630	\$347,895

Attachment 4

## Mercuries & Associates Holding, Ltd.

### 2022 Deficit Compensation Table

Unit: NTD

Item	Amount	
	Subtotal	Total
Undistributed earnings at the beginning of the period		3,246,455,646
Minus: Effects of change in unappropriated retained earnings of investees (Note 1)	(691,403,870)	
Minus: Net loss after tax for the period (Note 2)	(5,089,793,803)	
Undistributed earnings at the end of the period		(2,534,742,027)

Note1: Effects of change in unappropriated retained earnings of investees refer to (1) changes in undistributed earnings of invested companies, (2) changes in the shareholding percentage of invested companies, and (3) actuarial profit or loss resulting from the defined benefit plan.

Note2: The compensation of employees and directors are not remunerated in 2022.



## Attachment 5

Execution situation of issue the first time domestic unsecured convertible corporate bonds

Corporate bond type		First Offering of Domestic Unsecured Convertible Bond
Issue date		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\$2,213,600,000.
Provision of prepayment and redemption		In accordance with the Article 18 of "Procedures on the First Issuance and Conversion of Domestic Unsecured Convertible Corporate Bond"
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\$86.4 million.
	Policies on Issuance and Conversion	In accordance with "Procedures on the First Issuance and Conversion of Domestic Unsecured Convertible Corporate Bond"
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\$20.16, the maximum rate of dilution when the convertible bond is converted in its entirety will be 10.64%, which will not cause serious concerns.
Name of exchange		Not applicable.

## Attachment 6

### Mercuries & Associates Holding, Ltd. Comparison Table for the Corporate Governance Best Practice Principles Before and After Amendment

After the Amendment	Before the Amendment	Description
<p>Article 1: To establish a sound corporate governance system, Mercuries &amp; Associates Holding, Ltd. (the Company) has formulated the Corporate Governance Best Practice Principles (these Principles) with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers established by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange. An effective corporate governance framework is set up and disclosed in the Market Observation Post System (MOPS).</p>	<p>Article 1: To establish a sound corporate governance system, Mercuries &amp; Associates Holding, Ltd. (the Company) has formulated the Corporate Governance Best Practice Principles (these Principles) with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies established by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX). An effective corporate governance framework is set up and disclosed in the Market Observation Post System (MOPS).</p>	<p>This article is amended in line with the amendments to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>
<p>Article 3-1 The general management office shall be designated by the board of directors to handle affairs in accordance with the <u>Rules of Procedure of the Board of Directors</u>.</p> <p>(Paragraphs 2 is omitted.)</p> <p>It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <ol style="list-style-type: none"> <li>1. Handling matters related to Board meetings and shareholders' meetings in accordance with the law.</li> <li>2. Producing minutes of Board meetings and shareholders' meetings.</li> <li>3. Assisting Directors in taking office and continuous training.</li> <li>4. Providing Directors with information required for business execution.</li> <li>5. Assisting Directors in legal compliance.</li> <li>6. <u>To report to the board of directors the results of its review of whether the qualifications of independent directors at the time of nomination, appointment and during the term of office are in</u></li> </ol>	<p>Article 3-1</p> <p>(Paragraphs 1 is omitted.)</p> <p>It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:</p> <ol style="list-style-type: none"> <li>1. Handling matters related to Board meetings and shareholders' meetings in accordance with the law.</li> <li>2. Producing minutes of Board meetings and shareholders' meetings.</li> <li>3. Assisting Directors in taking office and continuous training.</li> <li>4. Providing Directors with information required for business execution.</li> <li>5. Assisting Directors in legal compliance.</li> </ol>	<p>This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>

After the Amendment	Before the Amendment	Description
<p><u>compliance with relevant laws and regulations.</u></p> <p>7. <u>Handle matters related to the change of directors.</u></p> <p>8. <u>Handle other matters set out in the articles of incorporation or contracts.</u></p> <p><u>A chief corporate governance officer is a manager of the company and shall comply with sections governing managers of the Company Act and the Securities and Exchange Act. Unless otherwise provided by law, the chief corporate governance officer may be someone who concurrently holds another position in the company. In case of a chief corporate governance officer who concurrently holds a different position in the company, it shall be ensured the officer is effectively performing the duties required in the capacity of both the chief corporate governance officer and the concurrent position, and there shall be no conflicts of interest or violations of the internal control system.</u></p> <p><u>The company shall arrange continuing professional education (CPE) for its chief corporate governance officer.</u></p> <p><u>A newly appointed chief corporate governance officer shall complete a minimum of 18 CPE hours within the year from the person's appointment and a minimum of 12 CPE hours per year in each following year. The continuing education scope, continuing education system and other continuing education affairs shall be governed by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.</u></p> <p><u>In case of resignation or dismissal of the chief corporate governance officer under the second paragraph shall appoint another person as its chief corporate governance officer within one month of the occurrence of that fact.</u></p>	<p>6. Handle other matters set out in the articles of incorporation or contracts.</p>	
<p>Article 10-1  <u>The company shall disclose information on the remuneration paid to directors, general manager, vice general managers in the most recent year in accordance with the Regulations Governing Information to be</u></p>		<p>This article is amended in line with the amendments to the Corporate Governance Best Practice</p>

After the Amendment	Before the Amendment	Description
<p><u>Published in Annual Reports of Public Companies.</u></p> <p><u>It is appropriate for the Company to report the remuneration received by directors at shareholders' meetings, including remuneration policies, the content and amount of individual remuneration and the correlation with the results of performance evaluation.</u></p>		<p>Principles for TWSE/TPEX Listed Companies and the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>
<p>Article 12 (Paragraphs 1 &amp; 2 are omitted.) <u>For those who participate in the merger and acquisition by the management or major shareholders of the company, the members of the audit committee deliberating the above merger and acquisition event are in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies of Article 3. And shall not be related to or have an interest in the merger transaction that would affect the independence, whether the design and execution of the relevant procedures comply with the relevant laws and whether the information is fully disclosed in accordance with the relevant laws, and shall be provided by an independent lawyer.</u></p> <p><u>The qualifications of the lawyers mentioned above shall comply with the provisions of Article 3 of the measures for setting up independent directors of the public company and matters to be followed, and shall not be related to the mergers and acquisitions transaction or have an interest that may affect the independence.</u></p> <p>The employees of the Company handling the matters of mergers and acquisitions or public offers shall pay attention to the occurrence of any conflicts of interest and the need for recusal.</p>	<p>Article 12 (Paragraphs 1 &amp; 2 are omitted.)</p> <p>The employees of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.</p>	<p>This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

After the Amendment	Before the Amendment	Description
Section 3, Chapter 2: Corporate Governance Relationships between the Company and Its <u>Related Parties</u> .	Section 3, Chapter 2: Corporate Governance Relationships between the Company and Its <u>Affiliated Enterprises</u> .	This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Article 17: When the Company and its <u>related parties and shareholders</u> enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions and <u>illegal profit</u> shall be prohibited.  <u>The contents of the above written specifications shall include the procedures for the management of transactions such as purchase and sale transactions, acquisition or disposal of assets, loan of funds and endorsement guarantee, etc., and relevant major transactions shall be approved by the board of directors, approved by the shareholders' meeting or reported.</u>	Article 17: When the Company and its <u>affiliated enterprises</u> enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.  <u>All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.</u>	This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Article 19: The Company shall retain at any time a <u>ultimate</u> register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.  (Paragraphs 2 is omitted.)  The major shareholders indicated in the first paragraph refer to those who own 5 percent or more of the outstanding shares of the Company or whose shareholding stake thereof is on the top 10 list. <u>However, the Company may set a lower proportion of shares according to the actual control of the Company's shareholding situation</u>	Article 19: The Company shall retain at any time a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.  (Paragraphs 2 is omitted.)  The major shareholders indicated in the first paragraph refer to those who own 5 percent or more of the outstanding shares of the Company or whose shareholding stake thereof is on the top 10 list.	This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

After the Amendment	Before the Amendment	Description
<p>Article 20:</p> <p>(Paragraphs 1 to 4 are omitted.)</p> <p><u>The Company shall arrange professional training for its directors and the directors shall take up to three hours of training in each year of their appointment. However, if the term of office of the current director does not expire in 2023, the term shall apply from their next term of office.</u></p>	<p>Article 20:</p> <p>(Paragraphs 1 to 4 are omitted.)</p>	<p>This article is amended in line with the amendments to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>
<p>Article 21:</p> <p>(Paragraphs 1 to 3 are omitted.)</p> <p><u>When a director of the Company resigns or is reassigned under in Item 3, Article 37 of the Company Act, the director and corporate shareholder shall immediately notify the company and the corporate governance officer. Upon receipt of this notice, the Company or the corporate governance Officer shall act in accordance with the relevant act.</u></p> <p>(Paragraphs <u>5</u> is omitted.)</p>	<p>Article 21:</p> <p>(Paragraphs 1 to 3 are omitted.)</p> <p>(Paragraphs <u>4</u> is omitted.)</p>	<p>This article is amended in line with the amendments to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>
<p>Article 23:</p> <p>(Paragraphs 1 to 2 are omitted.)</p> <p><u>The chairman of the board of directors and the general manager or equivalent shall be the same person or spouse or a first-degree relative of each other. The number of independent directors shall not be less than four before December 31, 2023, provided that if the number of directors is more than 15, the number of independent directors shall not be less than five, and more than half of the directors shall not be concurrently employees or managers.</u></p> <p>(Paragraphs <u>4</u> is omitted.)</p>	<p>Article 23:</p> <p>(Paragraphs 1 to 2 are omitted.)</p> <p>(Paragraphs <u>3</u> is omitted.)</p>	<p>This article is amended in line with the amendments to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>

After the Amendment	Before the Amendment	Description
<p>Article 24: According to the Company's Articles of Incorporation, three to five Independent Directors shall be engaged, and the number of Independent Directors shall not be fewer than one- third of the number of Directors. The terms of Independent Directors shall not exceed three terms consecutively. <u>In the event that all the independent directors are removed, an extraordinary meeting of shareholders shall be held within 60 days as of the date on which such election takes place. Those who violate Item 3 of Article 23 shall make corrections within three months as of the date of occurrence.</u></p> <p>(Paragraphs 2 to 5 are omitted.)</p>	<p>Article 24: According to the Company's Articles of Incorporation, three to five Independent Directors shall be engaged, and the number of Independent Directors shall not be fewer than one- third of the number of Directors. The terms of Independent Directors shall not exceed three terms consecutively.</p> <p>(Paragraphs 2 to 5 are omitted.)</p>	<p>This article is amended in line with the amendments to the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>
<p>Article 28: <u>The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.</u></p> <p>(Paragraphs 2 is omitted.)</p>	<p>Article 28: <u>The Audit Committee of the Company is composed of the entire board of Independent Directors, the number is three persons, one of whom shall be the convener, and at least one shall have accounting or financial expertise.</u></p> <p>(Paragraphs 2 is omitted.)</p>	<p>This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>Article 29:  (Paragraphs 1 to 4 are omitted.)</p> <p>The Company shall evaluate the independence and suitability of the CPA engaged <u>with Audit Quality Indicators (AQIs)</u> by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for seven consecutive years, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.</p>	<p>Article 29:  (Paragraphs 1 to 4 are omitted.)</p> <p>The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for seven consecutive years, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.</p>	<p>This article is amended in line with the amendments to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>
<p>Article 37:  (Paragraphs 1 is omitted.)</p> <p>The Company shall formulate performance evaluations methods and procedures for the</p>	<p>Article 37:  (Paragraphs 1 is omitted.)</p> <p>The Company shall formulate performance evaluations methods and procedures for the</p>	<p>This article is amended in line with the amendments to the Taiwan Stock Exchange</p>

After the Amendment	Before the Amendment	Description
<p>Board of Directors. In addition to annual self-evaluation of the Board of Directors, functional committees, and individual Directors, <u>and report the results of performance evaluation to the TWSE</u>, the Company may appoint an external professional organization to conduct performance evaluation or through other appropriate means. The content of performance evaluation of the Board of Directors shall include the following aspects, and suitable evaluation indicators shall be set based on the Company's needs:</p> <p>(Subparagraphs 1 to 5 are omitted.)</p> <p>(Paragraphs 3 to 5 are omitted.)</p>	<p>Board of Directors. In addition to annual self-evaluation of the Board of Directors, functional committees, and individual Directors, the Company may appoint an external professional organization to conduct performance evaluation or through other appropriate means. The content of performance evaluation of the Board of Directors shall include the following aspects, and suitable evaluation indicators shall be set based on the Company's needs:</p> <p>(Subparagraphs 1 to 5 are omitted.)</p> <p>(Paragraphs 3 to 5 are omitted.)</p>	<p>Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers.</p>
<p>Article 51: The establishment and amendment of these Principles shall be approved <u>with resolution</u> by the <u>audit committee</u> and Board of Directors of the Company and reported to the shareholders' meeting.</p>	<p>Article 51: The establishment and amendment of these Principles shall be approved by the Board of Directors of <u>the Company</u> and reported to the shareholders' meeting.</p>	
<p>Article 52: These Principles were established on November 14, 2014. The first amendment was made on January 26, 2015. The second amendment was made on November 14, 2016. The third amendment was made on March 23, 2018. The forth amendment was made on March 27, 2020. The fifth amendment was made on March 31, 2021. The sixth amendment was made on March 31, 2022. <u>The seventh amendment was made on March 16, 2023.</u></p>	<p>Article 52: These Principles were established on November 14, 2014. The first amendment was made on January 26, 2015. The second amendment was made on November 14, 2016. The third amendment was made on March 23, 2018. The forth amendment was made on March 27, 2020. The fifth amendment was made on March 31, 2021. The sixth amendment was made on March 31, 2022.</p>	<p>The number and date of the amendment here to are added.</p>



## Attachment 7

### Mercuries & Associates Holding, Ltd.

#### Comparison Table for the Sustainable Development Best Practice Principles Before and After Amendment

After the Amendment	Before the Amendment	Description
<p>Paragraphs 2, Article1</p> <p>These Principles apply to the entire operations of the Company and its subsidiaries. <u>Provided that the subsidiaries have established their Sustainable Development Best Practice Principles, they shall be applied with priority.</u></p>	<p>Paragraphs 2, Article1</p> <p>These Principles apply to the entire operations of the Company and its subsidiaries.</p>	Text slightly corrected.
<p>Article 5</p> <p>The Company shall abide by laws and regulations, take the development of domestic and international sustainable development principles and the operation of the Company and of its <u>subsidiaries</u> as a whole into consideration, and establish policies, systems or related guideline for sustainable development, which shall be approved by the Board of Directors and then reported to the shareholders' meeting.</p> <p>(Paragraphs 2 is omitted.)</p>	<p>Article 5</p> <p>The Company shall abide by laws and regulations, take the development of domestic and international sustainable development principles and the operation of the Company and of its <u>respective business groups</u> as a whole into consideration, and establish policies, systems or related guideline for sustainable development, which shall be approved by the Board of Directors and then reported to the shareholders' meeting.</p> <p>(Paragraphs 2 is omitted.)</p>	Text slightly corrected is according to Paragraphs 2, Article1
<p>Chapter II</p> <p>Exercising Corporate Governance</p>	<p>Chapter II</p> <p>Exercising Corporate Governance</p>	This article is amended in line with the amendments to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.
<p>Article 8</p> <p>The Company shall establish the Corporate Governance Best Practice Principles and the Ethical Corporate Management Best Practice Principles, and this standard to set up effective corporate governance frameworks <u>and relevant ethical standards</u>, so as to enhance its corporate governance.</p>	<p>Article 8</p> <p>The Company shall establish the Corporate Governance Best Practice Principles and the Ethical Corporate Management Best Practice Principles and CSR to set up effective corporate governance frameworks, so as to enhance its corporate governance.</p>	This article is amended in line with the amendments to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.

After the Amendment	Before the Amendment	Description
<p>Article 27-1:  <u>The company should donate, sponsor, invest, purchase, strategic cooperation, enterprise volunteer technology services or other support modes to continuously channel resources into arts and cultural activities or cultural and creative industries to promote cultural development.</u></p>		<p>This article is amended in line with the amendments to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>Article 31:  These Principles and amendments shall be implemented after the approval with <u>resolution</u> of the <u>audit committee</u> and Board of Directors, and submitted to the shareholders' meeting.</p>	<p>Article 31:  These Principles and amendments shall be implemented after the approval of the Board of Directors and submitted to the shareholders' meeting.</p>	
<p>Article 32 :  These Principles were established on August 12, 2016.  The first amendment was made on March 23, 2018.  The second amendment was made on March 27, 2020  The third amendment was made on March 31, 2022.  <u>The fourth amendment was made on March 16, 2023.</u></p>	<p>Article 32 :  These Principles were established on August 12, 2016.  The first amendment was made on March 23, 2018.  The second amendment was made on March 27, 2020  The third amendment was made on March 31, 2022.</p>	<p>The number and date of the amendment here to are added.</p>

## Attachment 8

Candidate List for Independent Director

Candidate	Education	Experience	Current Position	Name of Government Agency or Corporation Represented	Number of shares held
LIU,HAN-TSUNG	Master of International Development Policy, Duke University Master of Department of Economics, National Taiwan University	Chairman, Horizon Securities Co., Ltd. Vice President, Yuanta Securities Co., Ltd. Chief internal auditor, Fuh Hwa Financial Holding Co., Ltd.	Director, China Investment and Development Co., Ltd. Supervisor, Grand Cathay Venture Capital Co., Ltd.	None	0

## **Appendix 1**

### **Mercuries & Associates Holding, Ltd. Corporate Governance Best Practice Principles (Before Amendment)**

#### **Chapter I General Provisions**

##### **Article 1**

To establish a sound corporate governance system, Mercuries & Associates Holding, Ltd. (the Company) has formulated the Corporate Governance Best Practice Principles (these Principles) with reference to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies established by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange. An effective corporate governance framework is set up and disclosed in the Market Observation Post System (MOPS).

##### **Article 2**

When setting up a corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE, and other relevant regulations, the Company shall follow the following principles:

- 1.Ensure shareholders' rights and interests.
- 2.Improve the function of the Board of Directors.
- 3.Fulfill the function of the Audit Committee.
- 4.Respect stakeholders' rights and interests.
- 5.Improve information transparency.

##### **Article 3**

The Company shall follow the Regulations Governing Establishment of Internal Control Systems by Public Companies and take the overall operational activities of itself and its subsidiaries into account to design and fully implement an internal control system, and shall conduct continuing reviews of the system in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

The Company shall perform self-assessments of the internal control system. The Board of Directors and management shall review the results of self-assessments performed by each department at least annually and the reports of the internal audit department on a quarterly basis. The Audit Committee shall also attend to and supervise these matters.

The Company is advised establish channels and mechanisms of communication among its Independent Directors, Audit Committee, and head of internal audit; while the convener of the Audit Committee shall report its communication with the Audit Committee members and the head of internal audit at the shareholders' meeting.

Directors shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the Board of Directors.

The management of the Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the Board of Directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

The appointment/removal, appraisal, and remuneration of internal auditors of the Company shall be submitted to the Board of Directors or signed by the audit supervisor and submitted to the Chairman for approval.

#### Article 3-1

The Company shall appoint an appropriate number of qualified corporate governance personnel according to the Company's size, business conditions, and management needs, and shall appoint a corporate governance officer, in accordance with the regulations of the competent authority, Taiwan Stock Exchange Corporation, as the highest executive in charge of matters related to corporate governance. The said officer shall obtain the qualification of a lawyer, CPA, or shall have more than three years of experience as a managerial officer in a securities-, finance-, or futures-related institution or engaged in legal affairs, compliance, internal audit, finance, stocks, or corporate governance at a public company.

The corporate governance affairs mentioned in the preceding paragraph shall include at least the following items:

1. Handling matters related to Board meetings and shareholders' meetings in accordance with the law
2. Producing minutes of Board meetings and shareholders' meetings.
3. Assisting Directors in taking office and continuous training.
4. Providing Directors with information required for business execution.
5. Assisting Directors in legal compliance.
6. Handle other matters set out in the articles of incorporation or contracts.

### **Chapter II Protection of Shareholders' Rights and Interests**

#### Section 1 Encouraging Shareholders to Participate in Corporate Governance

##### Article 4

The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders equitably.

The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

##### Article 5

The Company shall convene shareholders' meetings in accordance with the Company Act and related laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders' meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders' meetings of The Company shall comply with laws, regulations and articles of incorporation.

##### Article 6

The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholders' nominations of directors and submissions of shareholder proposals. The Board of Directors shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location and video conference as an aid, with sufficient time allowed and sufficient numbers of suitable employees assigned to handle attendance registrations.

No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders' meeting convened by the Board of Directors, the Chairman shall chair the meeting, that a majority of Directors (including at least one Independent Director) and the convener of the Audit Committee attend the meeting in person, and that at least one member of other functional committees attend the meeting as a representative. Attendance details shall be recorded in the minutes of the shareholders' meeting.

#### Article 7

The Company shall encourage shareholders to participate in corporate governance, and shall appoint a professional shareholder service agency to handle the affairs of the shareholders' meeting to ensure that it is convened on a legal, effective and secure basis. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure, to upload annual report, annual financial report, notices, agendas, and supplementary information of shareholders' meetings in both Chinese and English concurrently, and shall adopt electronic voting in order to increase shareholders' attendance rates at shareholders' meetings and ensure that shareholders exercise their rights at such meetings in accordance with the laws.

The Company is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting

The Company is advised to arrange their shareholders to vote on each separate proposal in the shareholders' meeting agenda, and then put the voting results, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System the same day.

#### Article 8

The Company shall record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting in the minutes of the shareholders' meeting in accordance with the Company Act and related laws and regulations. With respect to the election of directors, the method of voting adopted therefore and the total number of votes for the elected and not elected directors shall be recorded on the meeting minutes.

The minutes of shareholders' meetings shall be properly and perpetually kept by the Company during its legal existence, and shall be sufficiently disclosed on the Company's website.

#### Article 9

The chairperson of the shareholders' meetings shall be fully familiar and in compliance with the Rules and Procedures of Shareholders' Meeting established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

To protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of the Rules and Procedures of Shareholders Meeting, it is advisable for the members of the Board of Directors other than the chairperson of the shareholders' meeting to promptly assist the attending shareholders at the shareholders' meeting in electing a new chairman of the shareholders' meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

#### Article 10

The Company shall place high importance on the shareholder's right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders regular and timely information on the Company's financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the Company's insiders from trading securities using information not disclosed to the market.

The preceding provision shall include the control measures for stock transactions by the insiders of companies listed on stock/OCT markets from the date of learning about the companies' financial reports or relevant contents of the performance. Including, (but not limited to) directors shall not trade their shares 30 days prior to the announcement of the annual financial reports and 15 days prior to the announcement of the quarterly financial reports during the closed period.

#### Article 11

Shareholders shall be entitled to profit distributions by the Company. To ensure the investment interests of shareholders, the shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the Board of Directors and the reports submitted by the Audit Committee, and may decide profit distributions and deficit off-setting plans by resolution. To proceed with the above examination, the shareholders' meeting may appoint an inspector.

In accordance with Article 245 of the Company Act, shareholders may apply to the court for the appointment of an inspector to examine the accounting records, assets, specific matters, documents, and records of a specific transaction of the Company.

The Company's Board of Directors, Audit Committee, and managerial officers shall fully cooperate in the examination conducted by the inspector in the preceding two paragraphs without any circumvention, obstruction, or rejection.

#### Article 12

In entering into material financial and business transactions, such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders' meeting so as to protect the interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness and rationality of the plan and transaction of the merger, acquisition or public tender offer, but also take notice of information disclosure and the soundness of its financial structure thereafter.

The employees of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

### Section 2 Establishing a Mechanism for Interaction with Shareholders

#### Article 13

To protect the rights and interests of shareholders, it is advisable that the Company designate employees exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholders' rights and interests were damaged by a resolution adopted at a shareholders' meeting or a board of director meeting in violation of applicable laws, regulations, or the Company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's articles of incorporation by any director, supervisors or managers in performing their duties.

It is advisable that the Company shall set up internal procedures for appropriate handling of matters referred to in the preceding two paragraph, and that it keep relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

#### Article 13-1

The Board of Directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of the Company's objectives.

#### Article 13-2

In addition to communicating with shareholders through shareholders' meetings and encouraging shareholders to participate in such meetings, the Board of Directors of the Company together with managers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound the Company's policies explicitly, in order to gain shareholders' support.

### Section 3 Corporate Governance Relationships between the Company and Its Affiliated Enterprises

#### Article 14

The Company and its affiliates' shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

#### Article 15

Unless otherwise provided by the law and regulations, a managerial officer of the Company may not serve as a managerial officer of its affiliated enterprises.

A director who engages in any transaction for himself or on behalf of another person that is within the scope of the Company's operations shall explain the major content of such actions to the shareholders' meeting and obtain its consent.

#### Article 16

The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks, customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

#### Article 17

When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

#### Article 18

A corporate shareholder having controlling power over the Company shall comply with the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders' meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the Company in nominating director and shall not act beyond the authority granted by the shareholders' meeting or board of director meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

#### Article 19

The Company shall retain at any time a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.



The Company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the Company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholders indicated in the first paragraph refer to those who own 5 percent or more of the outstanding shares of the Company or whose shareholding stake thereof is on the top 10 list.

### **Chapter III Enhancing the Functions of the Board of Directors**

#### **Section 1 Structure of the Board of Directors**

##### **Article 20**

The Board of Directors of the Company shall direct corporate strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its articles of incorporation, and the resolutions of the shareholders' meetings.

The structure of the Company's Board of Directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: gender, age, nationality, and culture.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

##### **Article 21**

The Company shall, according to the principles for the protection of shareholders' rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority in charge otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

When the number of directors falls below five due to the discharge of a director for any reason, the Company shall hold a by-election for director at the following shareholders' meeting. When the

number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the Company shall convene an extraordinary shareholders' meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

#### Article 22

The Company is advised, pursuant to the regulations of the competent authority, to specify in its Articles of Incorporation that it shall adopt the candidate nomination system for elections of Directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

#### Article 23

Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the Company's board of directors and general manager.

It is inappropriate for the chairman to also act as the general manager or other equivalent position.

The Company with a functional committee shall clearly define the responsibilities and duties of the committee.

### Section 2 Independent Director System

#### Article 24

According to the Company's Articles of Incorporation, three to five Independent Directors shall be engaged, and the number of Independent Directors shall not be fewer than one-third of the number of Directors. The terms of Independent Directors shall not exceed three terms consecutively.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including an independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" referred to in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company. Change of status between independent directors and non-independent directors during their tenure is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the rules and regulations of the Taiwan Stock Exchange.

#### Article 25

The Company shall submit the following matters to the Board of Directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the board of director meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment of procedures for acquisition or disposal of assets, engaging in derivative trading, lending funds to others, and making endorsements or providing guarantees pursuant to Article 36-1 of the Securities and Exchange Act.
3. Matters bearing on the personal interest of a director.
4. Major assets or derivative trading.
5. Major lending of funds, endorsements or guarantees.
6. Offering, issuance, or private placement of any equity-type securities.
7. The appointment, dismissal, or compensation of certified accountants.
8. Appointment or dismissal of financial, accounting, or internal auditing officers.
9. Other major matters so required by the authority in charge.

#### Article 26

The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or other members of the Board of Directors may not obstruct, reject, or circumvent the performance of duties by Independent Directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and the risk of the Company's operation shall be taken into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

### Section 3 Functional Committees

#### Article 27

For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company, in consideration of the Company's scale and type of operations and the number of its Board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation.

Functional committees shall be responsible to the Board of Directors, and submit their proposals to the Board of Directors for approval, provided that the performance of supervisor's duties by the Audit Committee pursuant to Paragraph 4, Article 14-4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the Board of Directors. The organizational charter shall contain the number, tenure, and powers of the committee members as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

#### Article 28

The Audit Committee of the Company is composed of the entire board of Independent Directors, the number is three persons, one of whom shall be the convener, and at least one shall have accounting or financial expertise.

The exercise of power by the Audit Committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE.

Article 28-1

The Company shall set up a Remuneration Committee, and more than half of the members shall be Independent Directors; professional qualification, power execution, and the establishment of organizational rules and relevant matters shall be in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange.

Article 28-2

It is advisable for the Company to set up a Nomination Committee and formulate organizational rules. More than half of the members shall be Independent Directors, and the committee shall be chaired by an Independent Director.

Article 28-3

The Company is advised to establish and announce channels for internal and external whistle-blowers and have whistle-blower protection mechanisms in place. The unit that handles whistle-blowers' reporting shall be independent, provide encrypted protection for the files furnished by whistle-blowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.

Article 29

To improve the quality of its financial statements, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer referred to in the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accountants handling the preparation of financial statements shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be internal training activities organized by the Company or professional courses offered by professional development institutions for principal accounting officers.

The Company shall select a professional, responsible, and independent CPA to perform regular reviews of financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between the independent director or Audit Committee, and CPA, and to incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for seven consecutive years, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Article 30

It is advisable that the Company engages a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the director and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the Company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, director or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The Audit Committee or an independent director may retain a legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation services on matters in relation to the exercise of their power, at the expense of the Company.

## Section 4 Rules for the Proceedings of Board Meetings and the Decision-Making Procedures

### Article 31

The Board of Directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board of director meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the Board of Directors.

The Company shall establish the Rules and Procedures of Board of Director Meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

### Article 32

Directors of the Company shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board of director meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director shall not participate in any discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director shall also not act as another director's proxy to exercise the voting right on that matter. Directors shall also exercise self-discipline among themselves and avoid collusion.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the Rules and Procedures of Board of Director Meetings.

### Article 33

The Company's independent directors shall attend the board meeting in person, and may not be represented by a non-Independent director via proxy when a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act. When an Independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of director meeting; if the Independent director cannot attend the board of director meeting in person to voice his or her dissenting or qualified opinion, he or she shall provide a written opinion before the board of director meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of director meeting.

Under any of the following circumstances, resolutions adopted by the Board of Directors shall not only be noted in the meeting minutes, but also publicly announced and filed on the Market Observation Post System (MOPS) two hours before the beginning of trading hours on the following business day after the date of the Board of Director meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the Audit Committee (if set up by the Company), but had the consent of more than two-thirds of all Directors.

During a board of director meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meeting, make reports on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or professional may be invited to sit in at the meeting to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that he/she shall leave the meeting when deliberation or voting takes place.

### Article 34

The Company's employees attending board of director meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board of director meeting in accordance with relevant regulations. The minutes of the board of director meetings shall be signed by the chairperson and minute taker of

the meeting and sent to each director within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the Company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record on audio or video tape the entire proceedings of a board of director meeting and preserve the recordings for at least 5 years in electronic form or otherwise.

If a lawsuit arises with respect to a resolution of a board of director meeting before the end of the preservation period referred to in the preceding paragraph, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a board of director meeting is held via video conference, the audio or video recordings of the meeting constitute a part of the meeting minutes and shall be preserved permanently.

When a resolution of the Board of Directors violates laws, regulations, the articles of incorporation, or resolutions adopted by the shareholders' meeting, and thus causes damage to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

#### Article 35

The Company shall submit the following matters to the Board of Directors for discussion:

1. Corporate business plan.
2. Annual and semi-annual financial reports that are required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.
4. Adoption or amendment of procedures for acquisition and disposal of assets, engaging in derivative trading, lending funds to other parties, and endorsement and guarantee in accordance with Article 36-1 of the Securities and Exchange Act.
5. Offering, issuance, or private placement of any equity-type securities.
6. Standard for the performance evaluation and remuneration of managerial officers.
7. Structure and system of director's remuneration.
8. Appointment or dismissal of financial, accounting, or internal auditing officers.
9. Donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board of director meeting for retroactive recognition.
10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or to be approved by resolution at a meeting of the Board of Directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board of Directors for discussion under the preceding paragraph, when the board of director meeting is in recess, the exercise of its power may be delegated to others in accordance with laws, regulations, or the articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

#### Article 36

The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up those matters and faithfully review their implementation.

The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the Board's management decisions.

## Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors

### Article 37

Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by the law or the articles of incorporation for approval in shareholders' meetings, they shall ensure that all matters are handled according to the resolutions of the Board of Directors.

The Company shall formulate performance evaluations methods and procedures for the Board of Directors. In addition to annual self-evaluation of the Board of Directors, functional committees, and individual Directors, the Company may appoint an external professional organization to conduct performance evaluation or through other appropriate means. The content of performance evaluation of the Board of Directors shall include the following aspects, and suitable evaluation indicators shall be set based on the Company's needs:

1. Degree of participation in the Company's operations.
2. Improvement in the quality of decision-making by the Board of Directors.
3. Composition and structure of the Board of Directors.
4. Election and continuous development of Directors.
5. Internal control.

It is advisable that performance evaluations of the Board of Directors (self-assessment or peer-to-peer assessment) include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

1. The grasp of the Company's goals and missions.
2. Recognition of directors' duties.
3. Degree of participation in the Company's operation.
4. Management of internal relationship and communication.
5. Professionalism and continuing professional education.
6. Internal controls.

The Company shall conduct a performance evaluation of its functional committees, and the evaluation content shall include the following aspects, which shall be adjusted appropriately based on the Company's needs:

1. Degree of participation in the Company's operations.
2. The awareness of the duties of the functional committees.
3. Improvement in the quality of decision making by the functional committees.
4. The composition of the functional committees, and election and appointment of committee members.
5. Internal control.

The Company shall submit the results of the performance evaluation to the Board of Directors as a reference for individual Directors' remuneration, nomination, and renewal.

### Article 37-1

It is advisable that the Company establish a succession plan for the management. The development and implementation of such a plan shall be periodically evaluated by the Board of Directors to ensure sustainable operation.

### Article 37-2

For the operational direction and performance of the intellectual property as a listed company, the Board of Directors shall evaluate and supervise the following aspects to ensure that the Company establishes an intellectual property management system with a management cycle of "plan, execute, inspect, and act."

1. Formulate intellectual property management policies, objectives, and systems related to business strategies.
2. Establish, implement, and maintain a management system for the acquisition, protection, maintenance, and application of intellectual property based on the scale and type.
3. Decide and provide sufficient resources required to effectively implement and maintain the intellectual property management system.
4. Observe internal and external risks or opportunities related to intellectual property management and take measures accordingly.
5. Plan and implement a continuous improvement mechanism to ensure that the operation and effectiveness of the intellectual property management system are in line with the Company's expectations.

#### Article 38

If a resolution of the Board of Directors violates laws, regulations or the Company's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of the Audit Committee to discontinue the implementation of the resolution, members of the Board of Directors shall take appropriate measures or discontinue the implementation of such a resolution as soon as possible.

Upon discovering any likelihood that the Company would suffer material damage, members of the Board of Directors shall immediately report to the Audit Committee, an independent director of the Audit Committee, in accordance with the foregoing paragraph.

#### Article 39

The Company shall insured liability insurance for Directors with respect to liabilities arising from performance of duties during their term of office which will lead to compensation in accordance with the laws, so as to reduce and spread the risk of material damage to the Company and shareholders caused by the wrongdoings or negligence of Directors.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has insured or renewed for Directors at the next board meeting.

#### Article 40

Members of the Board of Directors are advised to participate in training courses on finance, business, commerce, accounting, or law offered by institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their tenure. They shall also ensure that employees at all levels will enhance their professionalism and knowledge of the law.

### **Chapter IV Respecting Stakeholders' Rights and Interests**

#### Article 41

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and designate a stakeholder section on its website.

When any of a stakeholder's legal rights or interests is harmed, the Company shall handle the matter in a proper manner and in good faith.

#### Article 42

The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and its decision-making process. When any of their legal rights or interests is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.



#### Article 43

The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors, or supervisors, so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

#### Article 44

In developing its normal business and maximizing the shareholders' interests, the Company shall pay attention to consumers' interests, environmental protection of the community, and public welfare, and shall give serious regard to its social responsibility.

### **Chapter V Improving Information Transparency**

#### **Section 1 Enhancing Information Disclosure**

#### Article 45

Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and the rules of TWSE.

The Company shall publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

The Company shall establish an Internet-based reporting system for public information, appoint employees responsible for gathering and disclosing the information, and establish a spokesperson system, so as to ensure the proper and timely disclosure of information on policies that might affect the decisions of shareholders and stakeholders.

#### Article 46

To enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements to the public independently, provided that the order of delegation shall be established to avoid any confusion.

To implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change in the position of a spokesperson or acting spokesperson.

#### Article 47

To keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding its finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by the designated employees, and the recorded information shall be accurate, detailed and updated on a timely basis.

#### Article 48

The Company shall hold an investor conference in compliance with the rules of the TWSE, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels in accordance with the rules of TWSE.

## Section 2 Disclosure of Information on Corporate Governance

### Article 49

The Company shall disclose and update from time to time the following information on corporate governance and designate a stakeholders section on its website:

1. Board of Directors: The resumes, rights and responsibilities, and policy and implementation of diversity of the Board of Directors' members.
2. Functional committees: The resumes and rights and responsibilities of Functional committees' members.
3. Corporate governance regulations: Such as the articles of incorporation, procedures of the board of directors and organizational rules of the functional committees.
4. Important information related to corporate governance: Setting up information of supervisor who is responsible for corporate governance .

## Chapter VI Supplementary Provisions

### Article 50

The Company shall be aware of domestic and international developments in corporate governance at any time as a basis for review and improvement of its own corporate governance mechanisms, so as to enhance their effectiveness.

### Article 51

The establishment and amendment of these Principles shall be approved by the Board of Directors of the Company and reported to the shareholders' meeting.

### Article 52

These Principles were established on November 14, 2014.

The first amendment was made on January 26, 2015.

The second amendment was made on November 14, 2016.

The third amendment was made on March 23, 2018.

The fourth amendment was made on March 27, 2020.

The fifth amendment was made on March 31, 2021.

The sixth amendment was made on March 31, 2022.

## **Appendix 2**

### **Mercuries & Associates Holding, Ltd. Sustainable Development Best Practice Principles (Before Amendment)**

#### **Chapter I General Provisions**

##### **Article 1**

To fulfill the corporate social responsibility and to promote economic, social, and environmental sustainability, the Corporate Social Responsibility Best Practice Principles (these Principles) are established in accordance with Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies and related regulations.

These Principles apply to the entire operations of the Company and its subsidiaries.

##### **Article 2**

While engaging in corporate operations, the Company shall actively fulfill its sustainable development in line with international development trends and shall increase its economic contributions to the country and improve the quality of life of employees, communities, and society while promoting sustainable development as the foundation for competitive advantages as a corporate citizen.

##### **Article 3**

When the Company is fulfilling its sustainable development, it shall pay attention to the rights and interests of stakeholders. While pursuing sustainable development and profit, the Company shall focus on topics pertaining to the environment, society, and corporate governance and incorporates them into its management guidelines and operating activities.

The Company shall conduct risk assessments on environmental, social, and corporate governance issues related to its operations in accordance with the materiality principle while formulating relevant risk management policies or strategies.

##### **Article 4**

To implement sustainable development, the Company is advised to follow the principles below:

1. Exercise corporate governance.
2. Foster a sustainable environment.
3. Preserve public welfare.
4. Enhance the disclosure of information on sustainable development.

##### **Article 5**

The Company shall abide by laws and regulations, take the development of domestic and international sustainable development principles and the operation of the Company and of its respective business groups as a whole into consideration, and establish policies, systems or related guideline for sustainable development, which shall be approved by the Board of Directors and then reported to the shareholders' meeting.

When a shareholder proposes a motion involving sustainable development, the Company's Board of Directors shall review and consider including it in the shareholders' meeting agenda.

#### **Chapter II Exercising Corporate Governance**

##### **Article 6**

The directors of the Company shall exercise the due care of good administrators to urge the Company to perform its sustainable development, examine the results of the implementation thereof from time to time and continually make adjustments, so as to ensure the thorough implementation of its sustainable development policies.

The board of directors of the Company is advised to give full consideration to the interested parties, including the following matters, in the Company's performance of its sustainable development:

1. Propose the mission or vision of the sustainable development, formulate policies, systems or related guidelines.
2. Incorporate the sustainable development into the Company's business and development guidelines and ratify concrete promotional plans for sustainable development.
3. Ensure the real-time and correct disclosure of information on sustainable development.

The Board of Directors shall appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the Board of Directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

#### **Article 7**

The Company shall respect stakeholders' interests, identify its stakeholders, and set up a section dedicated to stakeholders on its official website. The Company shall use proper communication channels to understand stakeholders' needs and expectations and respond to key sustainable development issues that are of utmost concern.

#### **Article 8**

The Company shall establish the Corporate Governance Best Practice Principles and the Ethical Corporate Management Best Practice Principles and CSR to set up effective corporate governance frameworks, so as to enhance its corporate governance.

#### **Article 9**

To ensure proper management of sustainable development, the Company shall set up a full-time (part-time) dedicated unit in charge of proposing and executing sustainable development policies, systems or relevant management guidelines, and projects. This task force shall also report its progress regularly to the Board of Directors.

The Company shall formulate reasonable remuneration policies, to ensure that remuneration planning can be in line with the organizational strategic goals and stakeholders' interests.

The employee performance evaluation system shall be incorporated into the sustainable development policies, and the Company shall establish a clear and effective incentive and discipline system.

#### **Article 10**

The Companies shall organize education and training sessions regularly on the implementation of sustainable development, including promotion of the matters prescribed in Paragraph 2, Article 6.

### **Chapter III Fostering a Sustainable Environment**

#### **Article 11**

The Company shall follow relevant environmental laws, regulations, and international standards to properly protect the environment and shall be committed to achieving the goal of environmental sustainability when engaging in business operations and internal management.

#### **Article 12**

The Company shall endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

#### **Article 13**

The Company shall establish an appropriate environmental management system according to its industrial characteristics. The system all includes the following items:

1. Collect sufficient and real-time information to evaluate the impact of the Company's business operations on the natural environment.
2. Establish measurable goals for environmental sustainability, and examining whether the development of such goals shall be maintained and whether it is still relevant on a regular basis.
3. Adopt enforcement measures, such as concrete plans or action plans, and examine the results of the implementation on a regular basis.

#### **Article 14**

The Company shall appoint a dedicated environmental management unit or team of personnel to establish, execute, and maintain environmental management system and specific action plans, and shall offer the management and employees environmental education classes.

#### **Article 15**

The Company shall take into account the impact on the ecology and promote the concept of sustainable consumption while conducting research, procurement, production, operations, services, and other business activities based on the following principles to reduce the impact of the Company's operations on the natural environment and human beings:

1. Reduce resource and energy consumption of products and services.
2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
3. Improve recyclability and reusability of raw materials or products.
4. Maximize the sustainability of renewable resources.
5. Enhance the durability of products.
6. Improve efficiency of products and services.

#### **Article 16**

To improve water use efficiency, the Company shall use water resources properly and sustainably and establish relevant management measures.

The Company shall construct and improve environmental protection treatment facilities to avoid polluting water, air, and land. It shall also do its utmost to reduce the adverse effect on human health and the environment and adopt the best feasible pollution prevention and technical control measures.

#### **Article 17**

The Company shall assess the potential risks and opportunities of climate change for its current and future operations and take response measures with respect to climate change.

The Company shall adopt standards or guidelines generally accepted at home and abroad to conduct an inventory of corporate greenhouse gases and to disclose information. The scope of information disclosure shall include:

1. Direct greenhouse gas emissions: emissions from the sources owned or controlled by the Company.
2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.
3. Other indirect emissions: emissions from the activities of the company, which are not indirect energy emissions, are from sources owned or controlled by other companies.

The Company shall count the greenhouse gas emissions, water consumption, and total weight of waste, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management, while incorporating the acquisition of carbon rights into the Company's carbon reduction strategy plan and implement it accordingly so as to reduce the impact of the Company's operating activities on climate change.

## **Chapter IV Preserving Public Welfare**

### **Article 18**

The Company shall comply with relevant laws and regulations, and the International Bill of Human Rights with respect to rights, such as gender equality, the right to work, and prohibition of discrimination.

The Company shall establish relevant management policies and procedures to perform its obligations to protect human rights, including:

1. Propose the Company's human rights policy or statement.
2. Evaluate the impact of the Company's business activities and internal management on human rights and establish corresponding handling procedures.
3. Conduct regular reviews on the effectiveness of the Company's human rights policy or statement.
4. In the event of any infringement of human rights, the Company shall disclose the processes for handling of the matter with respect to the stakeholders involved.

The Company shall follow internationally recognized human rights for labor, such as freedom of association, right to collective bargaining, caring for vulnerable groups, prohibiting child labor, eliminating all forms of forced labor, as well as eliminating discrimination in employment, and shall confirm that its human resources policies are free from differential treatment because of gender, race, socioeconomic class, age, marriage, and family status, so as to implement equality and fairness in employment, employment conditions, salary, benefits, training, evaluation, and promotion opportunities.

With regard to incidents that damage labor rights, the Company shall provide effective and appropriate grievance mechanisms to ensure equality and transparency in the complaint filing process. The grievance channels shall be simple, convenient, and open, and the Company shall respond to employees' complaints in an appropriate manner.

### **Article 19**

The Company shall provide information for employees, so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the Company has business operations.

### **Article 20**

The Company shall provide safe and healthful work environments for employees, including necessary health and first-aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company shall organize training on safety and health for employees on a regular basis.

### **Article 21**

The Company shall create an environment conducive to the development of employees' careers and establish effective training programs to foster career skills.

The Company shall formulate and implement reasonable employee benefit measures (including remuneration, leave, and other benefits) and shall reflect operating performance or results in employee remuneration to ensure the recruitment and retention of and incentives to human resources so as to achieve the goal of sustainable operations.

### **Article 22**

The Company shall establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the Company's operations, management and decisions.

The Company shall respect the employee representatives' rights to negotiate the working conditions and shall provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation between employers, employees, and employee representatives.

The Company shall, in a reasonable manner, notify employees of changes in business operation that are likely to cause a significant impact on employees.

#### **Article 22-1**

The Company shall treat their customers or consumers in a fair and reasonable manner, including such principles as fairness and integrity, duty of care and loyalty, truthfulness in marketing and advertising, suitability of products or services, information and disclosure, balanced remuneration and performance, complaint protection, and professionalism of salespeople, while formulating relevant implementation strategies and specific measures.

The aforementioned fair and reasonable manner includes:

1. Adhering to reciprocity, fairness and good faith in entering into contracts.
2. Fulfilling due care and fiduciary duty while being entrusted by customers.
3. Ensuring truthfulness in advertising and soliciting.
4. Confirming fitness of products or services that are provided for customers or consumers.
5. Giving a thorough explanation of important contents and disclosing risks for products or services that are provided.
6. Compensation of a salesperson depends on the right of clients and customers and the achievement of performance
7. A smooth grievance channel for customers or consumers, ensuring the response by the Company realistically.
8. The practitioners who engage in the business requiring professionalism are advised to obtain professional qualifications or licenses.

#### **Article 23**

The Company shall be responsible for its products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of its products and services, while establishing and disclosing its policies for consumer rights and interests and enforcing them in the course of business operations so as to prevent the products or services from adversely impacting consumers' rights, interests, health, and safety.

#### **Article 24**

The Company shall ensure the quality of its products and services by following the laws and regulations of the government and relevant standards of its industry.

The Company shall adhere to relevant regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services. The Company shall not engage in any activities involving deception, misleading, fraud, or any other behavior that undermines consumers' trust, rights, and interests.

#### **Article 25**

The Company shall evaluate and manage all types of risks that may cause interruptions in operations to reduce the impact on consumers and society.

The Company shall provide a transparent and effective procedure for accepting consumer complaints to fairly and timely handle the complaints. It shall comply with the Personal Data Protection Act and relevant laws and regulations to respect consumers' rights of privacy and protect personal data provided by consumers.

## **Article 26**

The Company shall assess the impact its procurement has on society as well as the environment of the community of the supply source, and shall cooperate with suppliers to jointly implement CSR.

The Company shall formulate a supplier management policy that requires suppliers to follow relevant regulations on issues, including environmental protection, occupational safety and health, or human rights of labor. Prior to business dealings, the Company shall assess whether its suppliers have a record of causing an impact on the environment and society and shall avoid transactions with enterprises whose CSR policies are in conflict with its ones.

When the Company enters into a contract with a major supplier, the content shall include terms stipulating compliance with mutual CSR policies and specifying that the contract may be terminated or rescinded any time if the supplier has violated such policies and has caused significant negative impact on the environment and society of the community of the supply source.

## **Article 27**

The Company shall evaluate the impact of its business operations on the community, and adequately employ personnel from the location of the business operations to enhance community acceptance.

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services, dedicate resources to organizations that commercially resolve social or environmental issues, participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

## **Chapter V Enhancing Disclosure of Information on Sustainable Development**

### **Article 28**

The Company shall disclose information according to relevant laws and regulations and these Principles, and shall fully disclose relevant and reliable information relating to its sustainable development to improve information transparency.

Relevant information relating to sustainable development which the Company shall disclose includes:

1. The policy, systems, or relevant management guidelines, and specific projects regarding sustainable development, as resolved by the Board of Directors.
2. The risks and the impact on the corporate operations and financial conditions arising from exercising corporate governance, fostering a sustainable environment, and preserving social public welfare.
3. Goals and measures for realizing sustainable development established by the Company, and performance in implementation.
4. Major stakeholders and their issues of concern.
5. Disclosure of information on major suppliers' management and performance with respect to material environmental and social issues.
6. Other information on sustainable development.

### **Article 29**

The Company shall adopt widely recognized international standards or guidelines when producing a sustainable development report to disclose the status of its implementation of the sustainable development policy. It shall also obtain a third-party assurance or verification of the report to enhance the reliability of the information in the report. The contents shall include:

- 1 Implementation of sustainable development policies, systems, relevant management policies, and specific advancement plans.



2. Major stakeholders and their issues of concern.
3. Results and review of the exercising of corporate governance, cultivation of a sustainable environment, safeguarding of public welfare, and advancement of economic development.
4. Future improvement direction and goals.

## **Chapter VI Supplementary Provisions**

### **Article 30**

The Company shall continuously monitor the development of the sustainable development standards at home and abroad and the changes in the business environment to examine and improve the sustainable development framework it has established and to obtain better results from the implementation of the sustainable development policy.

### **Article 31**

These Principles and amendments shall be implemented after the approval of the Board of Directors and submitted to the shareholders' meeting.

### **Article 32**

These Principles were established on August 12, 2016.

The first amendment was made on March 23, 2018.

The second amendment was made on March 27, 2020.

The third amendment was made on March 31, 2022.

## **Appendix 3**

### **Mercuries & Associates Holding, Ltd. Articles of Incorporation**

#### **Chapter One: General Provisions**

Article 1: The Company is organized under the name of Mercuries & Associates Holding, Ltd. in accordance with the Company Act. The English name of the Company is Mercuries & Associates Holding, Ltd.

Article 2: The Company's businesses include:  
01. H201010 Investment.

Article 3: The Company is headquartered in Taipei City, and the Board of Directors shall resolve to establish branch companies and other affiliated institutions overseas when necessary.

Article 4: The Company's method of public disclosure is executed in accordance with the Company Act and regulations from the competent authority.

Article 5: The Company is a professional investment company and the amount of investment is not prohibited by Article 13 of the Company Act.

Article 5-1: The Company can obtain external guarantees due to business needs.

#### **Chapter Two: Shareholding**

Article 6: The total amount of capital of the Company is NT\$14 billion, being divided into 1.4 billion shares with par value of NT\$10 per share, and the Board of Directors is authorized to issue shares in installments. In which 50 million shares are reserved as stock option that can be exercised.

Article 7: The Company's shares are registered securities, in which the signed shares need to be signed or sealed by the director who is authorized to represent the Company, and certified by a bank which is competent to certify shares under the laws prior to being issued. The Company is allowed to be exempted from printing any share certificate for the shares issued and shall register the issued shares with a centralized securities depository enterprise; the same principle shall apply for the issuance of other securities.

Article 8: All shareholding matters of the Company are handled in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by the competent authority and the Company Act, and other legal regulations.

Article 9: When legal shareholders wish to transfer, inherit, donate, pledge against or release from pledge their shares, or when they have lost their shares, relevant matters shall be processed in accordance with the Company Act and other relevant legal regulations.

Article 10: The entries in the shareholders' roster shall not be altered within 60 days prior to the convening date of a regular shareholders' meeting, or within 30 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the record date fixed by the issuing company for distribution of dividends, bonus or other benefits.

#### **Chapter Three: Shareholders Meeting**

Article 11: Shareholders Meeting can be either annual or interim. Annual meeting is held once in each year, and shall be convened by the Board of Directors according to legal regulations within six months

after the closing of a fiscal year; however, this does not apply for those that hold legitimate reasons and have been authorized by the supervisory institutions. Interim meetings may be convened according to the law when necessary. For the assembly of the shareholders meeting, shareholders shall be notified 30 days prior to the convening of an Annual Shareholders Meeting, and 15 days prior to the convening of an Interim Shareholders Meeting. The Company is allowed to announce the convening of a shareholders meeting through public disclosure on the MOPS for registered shareholders who hold less than 1,000 shares.

The shareholders' meeting of the Company is allowed to be held via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.

Article 12: Unless otherwise stipulated by laws and regulations, each shareholder of the Company has one voting right per share, which can be exercised in writing or electronically.

Article 13: When a shareholder cannot attend a shareholders' meeting, he/she/it may appoint a proxy to attend a shareholders' meeting on his/her/its behalf by executing a power of attorney printed by the Company stating the scope of power authorized to the proxy. The power of attorney shall be signed and sealed for the proxy to attend the meeting. Besides investment trust enterprises and shareholder service agencies approved by the securities authority, an individual delegated by two or more shareholders as an agent at the same time may not have votes exceeding 3% of the total votes that represent all the outstanding shares. Excessive votes shall not be calculated. The handling of trust delegations is executed in accordance with relevant legal regulations including the 'Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies' decreed by the supervisory institution and the Company Act.

Article 14: Resolutions at a Shareholders Meeting shall, unless otherwise provided for in the Company Act, be adopted by at least one-half of all shareholders present, who represent more than 1/2 of the total number of voting rights.

Article 15: President/Chairman of the Company shall be the designated chairman of the Shareholders Meeting. In his/her absence, the Deputy President shall be the chairman if there is Deputy President, and when both are absent, President/Chairman of the Company shall designate an individual as the chairman. When there is no designated individual, the Board members shall nominate an individual as the chairman.

Article 16: Resolutions made at the Shareholders Meeting shall be recorded as minutes of the meeting, in which the date, venue, name of the chairman, method of resolution, and summary and results of meeting proceedings shall be recorded and signed or sealed by the chairman. The minutes shall be distributed to each shareholder within 20 days after the Shareholders Meeting. Distribution of meeting minutes as described in the preceding paragraph may be conducted through public announcement.

Electronic measures may be adopted to print and distribute meeting minutes.

The minutes shall be kept persistently throughout the life of the Company; the attendance list bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Company for a minimum period of at least 1 year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act hereof, the minutes of the Shareholders Meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

## **Chapter Four: Directors and Audit Committee**

Article 17: The Company has established a system of 9 to 11 Board members (including 3 to 5 Independent Directors), with a 3-year period of service. A nominee system is used, and shareholders will select from the list of nominees. Reappointment is possible. The professional qualifications, shareholding conditions, prohibitions in participation in other businesses, nomination and selection method as well as other items pertaining to the Company's Independent Directors shall be handled in accordance with the Securities and Exchange Act, the Company Act and other legal regulations.

Article 18: The formation of the Board of Directors - two-thirds or more of the Directors shall attend and more than 1/2 of all present Directors shall consent to the nomination of a Chairman of the Board from within the Board members to represent the Company externally. The same principle shall be used in nominating a Deputy Chairman based on business needs.

Article 19: Board Meetings, unless otherwise provided for in this Company Act, are called to order by the Chairman of the Board. Prior to convening a Board Meeting, each Director shall be notified via print/fax/email, and the reason for the Board Meeting shall be stated clearly. Unless otherwise stated by law, resolution made in the Board Meeting shall be attended by at least one-half of all Directors, and consented by at least 1/2 of all present Directors. When a Director is absent, he/she shall appoint another Director to attend the meeting as proxy by providing a by executing a power of attorney printed by the Company stating the scope of power authorized to the proxy. The proxy may only act on behalf of one Director. If a Board Meeting is conducted by video conference, the Directors partaking the video conference shall be recognized as having attended the meeting in person.

Article 20: In case the Chairman of the Board is on leave or absent or cannot exercise his power and authority for any cause, his representative shall be selected according to Article 208 of the Company Act.

Article 21: In compliance with Articles 14-4 of the Securities and Exchange Act, the Company shall establish the Audit Committee, which shall consist of all independent directors. The Audit Committee shall be responsible for performing the power as a supervisor as provided in the Company Act, the Securities and Exchange Act, and other relevant laws and regulations.

Article 21-1: The duties of the Audit Committee shall be prescribed in the Audit Committee's Organizational Charter.

Article 22: Directors are paid honorarium fees regardless of the Company's profit or loss; Independent Directors are compensated regardless of the Company's profit or loss; Independent Directors' compensations shall be determined by the Board of Directors in accordance with each Director's involvement in and contribution to the Company's operation and also taking into consideration the industry's usual support level.

The Company shall purchase liability insurance for the Directors during their term of service. The Company shall report the insured amount, coverage, premium rate, and other important contents of the directors liability insurance it has obtained or renewed for directors, at the most recent board meeting.

## **Chapter Five: Managers**

Article 23: The Company may appoint several managers have been appointed. The appointment, termination and compensations for managers are processed in accordance with Article 29 of the Company Act.

## **Chapter Six: Accounting**

Article 24: The Company's fiscal year is from January 1st of a year to December 31st of the same year. At the end of the fiscal year, books shall be closed and the Board of Directors is responsible for preparing (1) Business Report, (2) Financial Statements, and (3) Proposal of Earnings Distribution or Off-setting Accumulated Loss. Each statement shall be submitted to the Audit Committee for verification 30 days prior to commencement of an Annual Shareholders Meeting, and an Audit Committee's Review Report shall be submitted along with the statements to the Shareholders Meeting to seek for shareholders' adoption.

Article 25: 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 Board of Shareholders and presented accordingly.

In case of accumulated losses, the Company shall reserve a specific amount to make up for the losses, and then distribute the employees' and directors' compensation according to aforementioned percentage.

Article 25-1: 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 is still present, this will be combined with accumulated undistributed earnings and the Board will propose an earnings distribution motion and ask the Shareholders Meeting to resolve on the shareholders dividend proposal.

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

## **Chapter Seven: Supplemental Clauses**

Article 26: With regard to all matters not provided for in the Articles of Incorporation, the Company Act or other laws and regulations shall govern.

Article 27: The Articles of Association are established on January 20, 1961.

The first amendment was on December 29, 1968.

The second amendment was on September 10, 1969.

The third amendment was on September 4, 1971.

The fourth amendment was on October 11, 1971.

The fifth amendment was on April 28, 1974.

The sixth amendment was on December 28, 1976.

The seventh amendment was on April 24, 1978.

The eighth amendment was on April 4, 1979.

The ninth amendment was on May 12, 1980.

The tenth amendment was on June 1, 1982.

The eleventh amendment was on March 24, 1983.

The twelfth amendment was on April 8, 1983.  
The thirteenth amendment was on May 5, 1983.  
The fourteenth amendment was on September 1, 1983.  
The fifteenth amendment was on March 24, 1984.  
The sixteenth amendment was on November 24, 1984.  
The seventeenth amendment was on May 16, 1985.  
The eighteenth amendment was on March 22, 1986.  
The nineteenth amendment was on March 21, 1987.  
The twentieth amendment was on August 15, 1987.  
The twenty-first amendment was on November 18, 1987.  
The twenty-second amendment was on March 19, 1988.  
The twenty-third amendment was on July 30, 1988.  
The twenty-fourth amendment was on April 20, 1989.  
The twenty-fifth amendment was on April 10, 1990.  
The twenty-sixth amendment was on April 23, 1991.  
The twenty-seventh amendment was on May 23, 1992.  
The twenty-eighth amendment was on May 22, 1993.  
The twenty-ninth amendment was on April 30, 1994.  
The thirtieth amendment was on April 28, 1995.  
The thirty-first amendment was on April 30, 1996.  
The thirty-second amendment was on May 8, 1997.  
The thirty-third amendment was on May 27, 1998.  
The thirty-fourth amendment was on May 26, 2000.  
The thirty-fifth amendment was on June 29, 2001.  
The thirty-sixth amendment was on September 27, 2002.  
The thirty-seventh amendment was on June 20, 2003.  
The thirty-eighth amendment was on June 11, 2004.  
The thirty-ninth amendment was on June 19, 2009.  
The fortieth amendment was on June 18, 2010.  
The forty-first amendment was on June 24, 2011.  
The forty-second amendment was on June 5, 2012.  
The forty-third amendment was on June 20, 2014.  
The forty-fourth amendment was on June 24, 2016.  
The forty-fifth amendment was on June 20, 2017.  
The forty-sixth amendment was made on June 22, 2018.  
The forty-seventh amendment was made on June 18, 2020.  
The forty-eighth amendment was made on August 13, 2021.  
The forty- ninth amendment was made on June 24, 2022.

## Appendix 4

### **Mercuries & Associates Holding, Ltd. Rules and Procedures of Shareholders Meeting**

Resolved on March 21, 1987 at the Annual Shareholders Meeting  
First amendment on May 27, 1998 at the Annual Shareholders Meeting  
Second amendment on June 11, 2004 at the Annual Shareholders Meeting  
Third amendment on June 9, 2006 at the Annual Shareholders Meeting  
Fourth amendment on June 20, 2014 at the Annual Shareholders Meeting  
Fifth amendment on June 22, 2018 at the Annual Shareholders Meeting  
Sixth amendment on June 18, 2020 at the Annual Shareholders Meeting  
Seventh amendment on August 13, 2021 at the Annual Shareholders Meeting  
Eighth amendment on June 24, 2022 at the Annual Shareholders Meeting

#### **Article 1**

The rules and procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

#### **Article 2**

Unless otherwise provided by regulations, shareholders' meeting is convened by the board of directors.

Changes to the Company convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

30 days before the Company convenes a regular shareholders' meeting or 15 days before it convenes an interim shareholders' meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System. 21 days before the Company is to convene a regular shareholders' meeting, or 15 days before it convenes an interim shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials, and upload it to the Market Observation Post System. If, however, the Company has the paid-in capital of NT\$10 billion or more as of the last day of the most current fiscal year, or total shareholding of foreign shareholders and PRC shareholders reaches 30% or more as recorded in the register of shareholders of the shareholders meeting held in the immediately preceding year, transmission of these electronic files shall be made by 30 days before the regular shareholders meeting, 15 days before the Company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the company and its stock registrar and transfer agent, and distributed on-site at the meeting.

The Company shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders meeting:

1. For physical shareholders meetings, to be distributed on-site at the meeting.
2. For hybrid shareholders meetings, to be distributed on-site at the meeting and shared on the virtual meeting platform.
3. For virtual-only shareholders meetings, electronic files shall be shared on the virtual meeting platform.

The causes or subjects of a shareholders' meeting to be convened shall be indicated in the individual notice and the public notice; and the notice may be given by electronic transmission, after obtaining a prior consent from the recipients.

Election or dismissal of directors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by

directors, capital increase by earnings, capital increase by capital surplus, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. When the convening reason for the shareholders' meeting has stated the full re-election of Directors and the appointment date. After the re-election is completed at the shareholders' meeting, the appointment date shall not be changed via an extraordinary motion or other mean at the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda. Prior to the book closure date before the convention regular shareholders' meeting, the Company shall give a public notice announcing the acceptance of shareholders' proposals, the acceptance methods of written or electronic proposals, the place and the period for such acceptance; and the said period shall not be fewer than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words, and any proposal containing more than 300 words shall not be included in the agenda of the shareholders' meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the regular shareholders' meeting and shall take part in the discussion of such proposal.

The company shall, prior to preparing and delivering the shareholders' meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the shareholders' meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting.

### **Article 3**

A shareholder may appoint a proxy to attend a shareholders' meeting in his/her/its behalf by executing a power of attorney printed by the Company stating the scope of power authorized to the proxy.

A shareholder may only execute one power of attorney and appoint one proxy only, and shall serve such written proxy to the company no later than 5 days prior to the date of the shareholders' meeting. In case two or more written proxies are received from one shareholder, the first one received by the Company shall prevail, unless an explicit statement to revoke the previous written proxy is made in the proxy which comes later.

After the service of the power of attorney of a proxy to the Company, in case the shareholder issuing the said proxy intends to attend the shareholders' meeting in person or to exercise his/her/its voting power in writing or by electronic transmission, a proxy rescission notice shall be filed with the company 2 days in writing prior to the date of the shareholders' meeting as scheduled in the shareholders' meeting notice so as to rescind the proxy at issue, otherwise, the voting power exercised by the authorized proxy at the meeting shall prevail.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting via video conference, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.



#### **Article 4**

The venue where a shareholder meeting is to be held shall be in the premises of this Company or a location easy for shareholders to access and appropriate for holding meetings. All shareholder meetings may not begin before 9:00 a.m. or after 3:00 p.m. The opinions of the independent directors shall be fully taken into consideration in decision of the location and time of a shareholder meeting.

The restrictions on the place of the meeting shall not apply when the Company convenes a virtual-only shareholders meeting.

#### **Article 5**

The Company shall clearly state the registration time and venue for shareholders, solicitors and proxies (collectively "shareholders"), and any other items to be noted on the Handbook of the Shareholders Meeting. The check-in time described in the preceding paragraph shall be at least 30 minutes before the meeting begins. The check-in counter shall be precisely indicated and enough competent personnel shall be assigned to help shareholders check in. For virtual shareholders meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders meeting in person.

When a shareholder or his/her/its proxy (hereinafter referred to as shareholder) attends a shareholders meeting, a certificate of attendance, sign-in card, or other form of identification shall be presented. For shareholders who are attending by proxy, power of attorney shall be presented for verification.

The Company shall prepare an attendance book for shareholders to sign in, or the shareholder present may hand in an attendance card in lieu of signing on the attendance book.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors' pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.

In the event of a virtual shareholders meeting, the Company shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

#### **Article 5-1**

To convene a virtual shareholders meeting, the Company shall include the follow particulars in the shareholders meeting notice:

1. How shareholders attend the virtual meeting and exercise their rights.
2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars:
  - A. To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - B. Shareholders not having registered to attend the affected virtual shareholders meeting shall not attend the postponed or resumed session.
  - C. In case of a hybrid shareholders meeting, when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, meets the minimum legal requirement for a

shareholder meeting, then the shareholders meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders meeting.

D. Actions to be taken if the outcome of all proposals has been announced and extraordinary motion has not been carried out.

3. To convene a virtual-only shareholders meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders meeting online shall be specified.

#### **Article 6**

When shareholders' meeting is convened by the board of directors, chairman of the board is the chair of the meeting. In case the chairman of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, the vice chairman shall act on his behalf. In case there is no vice chairman or the vice chairman is also on leave or absent or unable to exercise his power and authority for any cause, the chairman of the board shall designate one of the directors to act on his behalf. In the absence of such a designation, the managing directors or the directors shall elect from among themselves an acting chairman of the board of directors.

If a director is to chair the meeting as described in the preceding paragraph, it shall be a director who has held the position for at least six months and is familiar with the Company's financial situation. The same principle applies if a representative of a juristic person director is to chair the meeting.

At the shareholders' meeting convened by the Board of Directors, it is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person, more than half of the Directors of the Board of Directors shall attend the meeting, and at least one member of each functional committee on behalf of the committee. and the attendance shall be recorded in the minutes of the shareholders' meeting.

For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The Company may designate its lawyer, certified public accountant (CPA) or other relevant persons to attend the shareholders' meeting.

#### **Article 7**

The Company shall begin from the time it accepts shareholder attendance registrations, to make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.

The aforementioned video shall be kept for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Where a shareholders' meeting is held online, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast, and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

In case of a virtual shareholders meeting, the Company is advised to audio and video record the back-end operation interface of the virtual meeting platform.

## **Article 8**

Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and announce the number of shares held by a shareholder with no voting rights and attending shareholder. However, when the attending shareholders do not represent half of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. In the event of a virtual shareholders meeting, the Company shall also declare the meeting adjourned at the virtual meeting platform. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to the Company in accordance with Article 5.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

## **Article 9**

If a shareholders' meeting is convened by the Board of Director, the agenda shall be determined by the Board of Directors. The relevant proposals (including extraordinary motions and amendments to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed according to the scheduled agenda, which shall not be altered without a resolution adopted at the shareholders' meeting.

The provisions of the preceding paragraph apply to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair according to statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The Chairperson shall give the opportunity to fully explain and discuss the proposals, as well as the amendments or motions proposed by the shareholders. When the Chairperson is of the opinion that a proposal has been sufficiently discussed to a point where it can be put to a vote, the Chairperson may announce the discussion closed and bring the proposal to vote. The Chairperson shall also allocate sufficient time for voting.

## **Article 10**

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in paragraphs 1 to 5 do not apply.

As long as questions so raised in accordance with the preceding paragraph are not in violation of the regulations or beyond the scope of a proposal, it is advisable the questions be disclosed to the public at the virtual meeting platform.

#### **Article 11**

Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that a shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

#### **Article 12**

A shareholder shall be entitled to one vote for each share held, except when the shares are deemed non-voting shared under Article 179-2 of the Company Act.

When this Company convenes a shareholder meeting, voting may be conducted in writing or with electronic measures. When voting via written or electronic method, the choice shall be indicated in the shareholder meeting notice. A shareholder exercising voting rights by correspondence or electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. Therefore, the Company shall avoid the extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

A shareholder who intends to attend the shareholder meeting in person or online, after giving the notice of

exercising his or her voting right in writing or electronically shall revoke the earlier decision at the latest two days before the meeting using the same method the shareholder used to exercise his or her vote. Otherwise, the shareholder

shall exercise the voting right in writing or electronically. If a shareholder expresses the intention to exercise his or her voting right in writing or electronically and also issues a power of attorney to delegate an agent to attend a shareholder meeting to exercise the voting right on his or her behalf, the agent shall attend the meeting and exercise the voting right on his or her behalf.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. During voting, the chair or personnel designated by the chair shall announce the total votes for each motion one after another for the shareholders to cast their votes. Afterwards, on the same day the shareholder meeting in concern is convened, the numbers of shareholders who have approved, objected and abstained from voting shall be uploaded to the Market Observation Post System.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for voting on motions or elections shall be conducted at an open space in the shareholder meeting venue and the results, including weights, shall be announced immediately after counting and recorded. When the Company convenes a virtual shareholders meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When the Company convenes a hybrid shareholders meeting, if shareholders who have registered to attend the meeting online in accordance with Article 5 decide to attend the physical shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online. When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

### **Article 13**

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes and the names of those not elected as director and the numbers of votes.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

### **Article 14**

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each

shareholder within 20 days after the conclusion of the meeting. Electronic measures may be adopted to print and distribute meeting minutes.

Distribution of the meeting minutes as described in the preceding paragraph may be conducted by uploading them to the Market Observation Post System.

The year, month, day, place, name of the chairperson, resolution method, discussion method, highlights in the procedure, and voting results (including statistical weights) shall be recorded in the meeting minutes as they are. When there is a director election, the number of votes each candidate receives shall also be recorded. The minutes shall be kept throughout the life of the Company.

Where a virtual shareholders meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholder meeting, other than compliance with the requirements in the preceding paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders meeting online.

#### **Article 15**

On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies, and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting. In the event of a virtual shareholders meeting, the Company shall upload the above meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the Company's virtual shareholders meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes are released during the meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

#### **Article 16**

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

#### **Article 17**

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in

view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

#### **Article 18**

In the event of a virtual shareholders meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

#### **Article 19**

When the Company convenes a virtual-only shareholders meeting, both the chair and secretary shall be in the same location, and the chair shall declare the address of their location when the meeting is called to order.

#### **Article 20**

In the event of a virtual shareholders meeting, the Company may offer a simple connection test to shareholders prior to the meeting, and provide relevant real-time services before and during the meeting to help resolve communication technical issues.

In the event of a virtual shareholders meeting, when declaring the meeting open, the chair shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the Regulations Governing the Administration of Shareholder Services of Public Companies, if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the Company Act shall not apply.

For a meeting to be postponed or resumed as described in the preceding paragraph, shareholders who have not registered to participate in the affected shareholders meeting online shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the second paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders meeting held under the second paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced or a list of elected directors and supervisors.

When the Company convenes a hybrid shareholders meeting, and the virtual meeting cannot continue as described in the second paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders meeting shall continue, and not postponement or resumption thereof under the second paragraph is required.

Under the circumstances where a meeting should continue as in the preceding paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed

abstaining from voting on all proposals on meeting agenda of that shareholders meeting.

When postponing or resuming a meeting according to the second paragraph, the Company shall handle the preparatory work based on the date of the original shareholders meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall handle the matter based on the date of the shareholders meeting that is postponed or resumed under the second paragraph.

#### **Article 21**

When convening a virtual-only shareholders meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending the virtual shareholders meeting online.

#### **Article 22**

These Rules and Procedures, along with any amendments hereto, shall be implemented after adoption by shareholders meetings.



## Appendix 5

### **Mercuries & Associates Holding, Ltd. Rules for Election of Directors**

Adopted at the annual shareholders' meeting on May 26, 2000  
Amended at the annual shareholders' meeting on September 27, 2002  
Amended at the annual shareholders' meeting on June 20, 2003  
Amended at the annual shareholders' meeting on June 11, 2004  
Amended at the annual shareholders' meeting on June 20, 2014  
Amended at the annual shareholders' meeting on June 22, 2018  
Amended at the annual shareholders' meeting on August 13, 2021

Article 1: Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 1-1: The overall composition of the board of directors shall be taken into consideration in the selection of the Company's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.

Article 1-2: The qualifications and elections of independent directors of the Company shall be governed by the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Offering Companies. The elections of independent directors shall also be governed by the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Article 1-3: Elections of directors at the Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

When the number of directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in the Company's

articles of incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masses, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 2: The cumulative voting method shall be used for election of the directors at the Company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 3: The number of directors will be as specified in the Company's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

Article 4: Before the election begins, the chairperson shall appoint a number of persons with the shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before the voting commences.

Article 5: The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 6: A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by a person with the right to convene.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
5. Other words or marks are entered in addition to the number of voting rights allotted

Article 7: The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 8: The Board of Directors of the Company shall issue notifications to the persons elected as directors.

Article 9: Matters not prescribed in these Rules shall be governed by the Company Act and the relevant laws and regulations.

Article 10: These Rules and any amendments thereto shall be implemented after the approval by the shareholders' meeting.

## Appendix 6

### Mercuries & Associates Holding, Ltd. Shareholding of Directors

1. The Company's paid-in capital is NT\$9,224,957,030 and cumulative issued shares outstanding are 922,495,703 shares.
2. All Directors shall hold a minimum of 29,519,862 shares under Article 26 of the Securities and Exchange Act.

The Company has established the Audit Committee; therefore, No number of shares held by supervisors is applicable.

3. Below is a list of actual shareholding from all Directors of the book closure date on April 18, 2023

Title	Name	Shares Held	Shareholding ratio
Chairman	Shanglin Investment Co., Ltd. Representative: Chen, Shiang-Li	189,017,944	20.48%
Director	Shuren Investment Co., Ltd. Representative: Wong, Wei-Chyun	130,345,087	14.12%
Director	Shanglin Investment Co., Ltd. Representative: Chen, Shiang-Chung	189,017,944	20.48%
Director	Shuren Investment Co., Ltd. Representative: Mao, Ming-Yu	130,345,087	14.12%
Director	Shanglin Investment Co., Ltd. Representative: Chen, Shiang-Feng	189,017,944	20.48%
Director	Cheng, I-Teng	0	0%
Independent Director	Lee, Mao	0	0%
Independent Director	Jeffery Chen	0	0%
Independent Director	Tu, Te-Cheng	0	0%
Shares held by all Directors (excluding Independent Directors)			319,363,031
Shareholding from Directors has reached the legally required minimum.			

## **Appendix 7**

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

#### **Information on Stock Grants, Compensations for Directors and Employees**

1. The effect on the Company's operational performance, EPS, and the return on equity investment for shareholders from bonus shares issued in this period: the Company did not disclose financial forecast for 2023, hence this is not applicable.

2. **Compensations for Directors and Employees**

The deficit compensation plan for the year 2022 of the Company has been passed by the 14th resolution of the 20th board of directors of the Company on March 16, 2023. No compensation will be allocated to employees (managers and other employees) and directors.