Mega Holdingss

Stock Code: 5842
Website:
Market Observation Post System
http://newmops.tse.com.tw/
Mega Bills Web Site:
http://www.megabills.com.tw

MEGA BILLS FINANCE CO., LTD.

Annual Report

2014

■ Spokesman and Deputy Spokesman for the Corporation

Spokesman: Chin-Tsan Wei
Job title: Senior Executive Vice President
Tel. No.: (02)2389-3399
Email: ctwei@megabills.com.tw
Deputy spokesman: Chih-Hsiung Chiu
Job title: General Manager, Treasury Dept.
Tel. No.: (02)2382-6660
Email: chiou516@megabills.com.tw

■ Addresses and Telephone Numbers of the Head Office and Branches

Head Office	Address:	2-5F, No. 91 Hengyang Road, Taipei City
	Tel. No.:	(02) 2383-1616 (Representative)
	Fax No.:	(02) 2382-2878 (Administration Department)
Kaohsiung Branch	Address:	3F, No. 420, Cheng Kung 1st Road, Kaohsiung City
	Tel. No.:	(07) 282-5171(5 Lines)
	Fax No.:	(07)215-1887
Tainan Branch	Address:	14F-1, No. 307, Sec. 2, Minsheng Road, Tainan City
	Tel. No.:	(07) 228-3131(5 Lines)
	Fax No.:	(06)229-3654
Taichung Branch	Address:	4F-1, No.268, Sec. 1, Taiwan Blvd., Taichung City
	Tel. No.:	(04) 2220-2176(5 Lines)
	Fax No.:	(04)2222-5424
Hsinchu Branch	Address:	3F, No. 307 Peida Road, Hsinchu City
	Tel. No.:	(05) 526-6022(5 Lines)
	Fax No.:	(03)524-5544
Taoyuan Branch	Address:	3F, No. 32, Sec. 1, Cheng Kung Road, Taoyuan City
	Tel. No.:	(05) 335-8877(5 Lines)
	Fax No.:	(03)333-6137
Panchiao Branch	Address:	3F, No. 69, Zhongzhen Road, Panchiao District, New Taipei City
	Tel. No.:	(05) 2965-2836(5 Lines)
	Fax No.:	(02)2965-2819
Sanchong Branch	Address:	4F, No. 192, Sec. 3, Chongyang Road, Sanchong District, New Taipei City
	Tel. No.:	(05) 2981-1931(5 Lines)
	Fax No.:	(02)2980-0374
Taipei Branch	Address:	6F, No.123, Sec 2, Zhongxiao East Road, Taipei
	Tel. No.:	(02)2356-9696(5Lines)
	Fax No.:	(02)2391-1717

■ Organization Handling Stock Transfer Affairs

Name: Mega Securities Co., Ltd.
Address: No. 95, Sec. 2, Zhongxiao East Road, Taipei
Website: http：//www.emega.com.tw/
Tel. No.: (02)3393-0898

■ Credit Rating Organization

Name: Taiwan Ratings Co., Ltd.
Address: 49F, No. 7, Sec. 5, Hsin Yi Road, Taipei (101 Building)
Website: http://www.taiwanratings.com/tw/
Tel. No.: (02)8722-5800

■ CPA Certifying Financial Statements of Most Recent Year

Name: Chien-Hung Chou, CPA, and Po-Ju Kuo, CPA
Firm Name: PricewaterhouseCoopers, Certified Public Accountants
Address: 27F, No. 333, Sec. 1, Keelung Road, Taipei City
Website: http://www.pwc.com/tw/
Tel. No.: (02)2729-6666

■ Web Site: http://www.megabills.com.tw/

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Message to Shareholders

One. Business Report 2014

I. Global and Taiwan Financial Environment, 2014

Chairman of the Board Feng-Chi Ker

2014 was characterized by a great diversity in monetary measures undertaken by the world's major economies. The ending of QE measures in the U.S. was mismatched by expansionary measures from Europe, Japan and China, which contributed greater volatility and uncertainty to the global market. Research institutions have generally revised down their worldwide economic forecasts for 2015, yet the growth rate still remained higher than 2014. Oil prices have fallen by approximately 60% since its peak in June 2014 due to increased shale gas output in the United States and weakened demands from Europe and Asia. To some nations, a lower oil price serves to stimulate economic growth and keep inflation under control.

Driven by the worldwide expansion, the domestic economy had achieved a 2.7% increase in exports in 2014, according to statistics published by the Ministry of Finance. In the meantime, the Directorate-General of Budget, Accounting and Statistics (DGBAS) had estimated a growth of 3.35% for Q4 2014 and 3.74% for the whole year, while maintaining 2015 growth forecast at 3.78%. These forecasts all suggested a quickening pace in the recovery of the domestic economy. In terms of price level, the CPI increased by 1.2% in 2014 and is believed to be relived of inflationary pressure due to the fall of oil prices. As a result, the DGBAS has estimated the CPI to rise marginally by 0.26% in 2015.

During the central bank's board meeting held on December 18, 2014, a resolution was made to maintain rediscount rate unchanged at 1.875%, the rate on accommodations with collateral unchanged at 2.25%, and the rate on accommodations without collateral unchanged at 4.125%. However, in light of the recovering economy, the central bank has utilized open market operation to maintain excess reserves at moderate levels (excess reserves had already fallen by $4 billion to $25.1 billion in November, as compared to $29.1 billion in 2013). This signified the turnaround of the nation's monetary policy from "expansionary" to "moderate." Furthermore, considering the fact that the U.S. is likely to begin its interest rate hike sometime this year and that the nation's interest rate moves highly in line with U.S., and the central bank is continuing writing off short term funds from the market, the nation’s monetary market interest rate is rising steadily.

II. Organizational changes:

(I) On October 23, 2014, the Financial Supervisory Commission issued its formal approval to have the Company's Chiayi Branch relocated to Taipei and renamed Taipei Branch. On January 26, 2015, Taipei Branch was officially opened for business.

(II) To comply with regulations, a resolution was passed on December 23, 2014, during the 40th meeting of the 13th board of directors to create an independent "Legal Affairs and Compliance Department" that specializes in compliance affairs. This new division had commenced operation since February 4, 2015.

III. Results of Implementation of Business Plan and Strategy:

Unit: NT$ million

Item	Final Accounting Figure, 2014	Final Accounting Figure, 2013	Increase/ Decrease (%)
Underwriting and purchasing bills	2,357,881	2,060,701	14.42
CP2 issued amounts	2,054,137	1,815,104	13.17
Trading volume of bills	8,363,843	8,012,401	4.39
Trading volume of bonds	5,906,712	5,744,470	2.82
Guaranteed issued of CP2 average outstanding balance	143,178	139,224	2.84
Overdue credit amounts	0	0	-
Percentage for overdue credits (%)	0	0	-

IV. Budget Implementation

Unit: NT$ million

Item	Final Accounting Figure, 2014	Budget Figure, 2014	Achievement Rate (%)
Underwriting and purchasing bills	2,357,881	2,010,780	117.26
CP2 issued amounts	2,054,137	1,783,818	115.15
Trading volume of bills	8,363,843	7,821,550	106.93
Trading volume of bonds	5,906,712	5,255,760	112.39
RP outstanding balance of bills and bonds	163,778	160,249	102.20
Guaranteed issued of CP2 average outstanding balance	143,178	138,000	103.75
Overdue credit amounts	0	0	-
Percentage for overdue credits (%)	0	0	-
Net Income	3,001	2,300	130.48

V. Financial Income and Expenditure, and Analysis of Profitability

Unit: NT$ million

Item	Final Accounting Figure, 2014	Item	Final Accounting Figure, 2014
Gross profit	3,547	EPS (NT$)	2.29
Income before tax	3,427	ROA (%)	1.37
Net Income	3,001	ROE (%)	9.20

VI. Research & Development

(I) Management

1. Completed a paperless meeting system and took steps toward developing a paperless reports management system.
2. Completed a comprehensive personal data file registry and performed personal data file risk analysis.

(II) Product and Business

1. Commenced proprietary trading of offshore foreign currency bonds.
2. Conducted in-depth studies on the market condition, policies and regulations concerning bills market in China

(III) Risk Control

1. Planned new framework and implementation steps for the Basel III system.
2. Continually enhanced self-assessment system of operational risks and strengthen risk management regarding various business risk categories.
3. Created an integrated risk management system that collectively monitors risk limits associated with daily business activities, thus building a warning system to prevent risk.

President and CEO Chi-Fu Lin

Two. Summary of Business Plan 2015

I. Operational policy

(I) Strengthen organization management to improve performance efficiency and maintain company ranking as market leader.

(II) Implement performance evaluation and strengthen the production efficiency of human resource.

(III) Implement internal control system and strengthen corporate governance.

(IV) Strengthen risk management and maintain the strong financial condition and quality of asset.

II. Projection of Business Goals

Unit: NT$ million

Item	Budget Figure, 2015
Underwriting and purchasing bills	2,254,808
CP2 issued amounts	1,965,145
Trading volume of bills	8,222,864
Trading volume of bonds	5,341,264
RP outstanding balance of bills and bonds	164,362
Guaranteed issued of CP2 average outstanding balance	146,000

Projection ground: Projection is based upon current market competition and market environment, as well as in accordance with the goals set up by parent financial holding company.

III. Major Business Policies

(I) In terms of credit business, the Company will focus on enhancing risk management, evaluating customers' activities and replacing customers to generate more income. In terms of bills business, the company will focus on aggressively expanding interest spread. By controlling the volumes of issuance and trading, the Company will maintain its market leading position.

(II) Actively invite other banks to co-host syndicated loan projects, as well as work on organizing underwriting projects to generate service fees for bills business.

(III) Purchase convertible bonds with excellent credit ratings and fixed income portion of convertible bond asset swaps (CBAS) for additional income source.

(IV) Actively involve in the proprietary trading and investment of foreign currency bonds. Build positions on foreign currency bonds and explore new means of funding to lower cost and generate higher yields.

(V) Expand the portfolio of international bonds; provide a variety of investment objects for professional investors; generate higher yields of foreign bonds and diversify risks.

(VI) Continue to observe changes in domestic and overseas financial markets; pay attention to the monetary policy of the Central Bank and the changes in the economy; adjust positions and interest rate strategies as needed; expand the interest spread from bills positions to generate more income; carefully engage in the buy-out and outright sale of bills position to enhance efficiency.

(VII) Establish a bilateral business relationship with clients in order to develop stable and low-interest rate fund sources to diversify sources of obtaining funds and lower the interest expenditures; Watch the funding market condition closely and evaluate the possibility to obtain low cost funding through different channels such as interbank call loans, SWAP and Re-Purchase Agreements (RP).

(VIII) Tie in with the spot transaction of bonds, operate the interest financial derivatives flexibly, and hedge the spot transaction risk;

(IX) Devote greater efforts in claiming receivables with recourse and dispose of collaterals to increase recoverable amounts of overdue receivables.

(X) Monitor the business performance of the investment objectives and changes on the technical movements of stock prices. Operate investment objectives with shorter duration in a flexible way to make some profit.

(XI) Continue to enhance the efficiencies of information system and internal operations by building a standardized processing platform for reporting management, database maintenance and accounting work so as to increase efficiency of the credit investigation, credit business, credit reviews and back-end operations.

(XII) Promote paper-less conference system and take steps toward developing a paper-less reporting management system to support environmental protection and to save the Earth's resources consumption and thereby fulfill the Company's corporate social responsibilities.

IV. Future Development Strategies

(I) Strengthen the position as market leader of bills and bonds business.

(II) Improve internal procedures for greater operating efficiency.

(III) Continue to build and adjust proper bonds position, expand the business scale of Re-Purchase Agreements (RP), and operate derivatives products to maintain stable profitability.

(IV) Enhance operation efficiency by reducing costs of funding and widening interest spread.

(V) Build up equity positions on companies with strong fundamentals and prospects.

(VI) Make efficient allocation of capital; strengthen existing risk management and systems

(VII) Deal with the Competent Authority for its approval to open up new business through Bills Finance Association.

(VIII) Seek approval from the Competent Authority to set up offices in Mainland China.

(IX) Integrate the parent holding company’s resources to utilize the synergy of cross-selling.

(X) Share information within the holding company via system integration.

(XI) Enhance employee training and enable managerial talents to grow with challenges.

V. Effect of external competitive environment, regulatory environment and overall operating environment

(I) Given that there are increasingly diversified funding sources in the market and continuous penetration to credit business from banks, further business expanding in the near future may be tough due to fierce competition.

(II) The Competent Authority has regulated statutory ratio limit on the guaranteed issues of CP2 business for bills finance companies. In the given framework, it has unfavorable impact for the CP2 market and has difficulty to expand operation scale.

(III) In consideration of liquidity risk, the Competent Authority acts more cautiously toward the bills finance companies to expand new business lines, which not only limits their potentials but deprives them of the ability to compete.

(IV) Although bond yields still remain in the low range up to today, there is increasing possibility for the yield rate to rise over the long run, and hence presents interest rate risks. The fall of global oil prices may contribute to the expansion of the domestic economy, adding to the possibility of an interest rate hike over the short run; if this happens, the Company may see its trading spreads shrink with bills and bonds.

(V) Although the global economy is en route to a recovery, the market is still presented with much uncertainty and volatility that will undermine trading domestic stocks and bonds.

Three. Most Recent Credit Rating and Date of Rating

Credit Rating Organization	Long-Term Credit Rating	Rating Outlook	Short- Term Credit Rating	Date of Announcement
Taiwan Ratings Corp.	twAA	Stable	twA-1+	2014.10.15.

Four. Appreciation and Prospect

Last year, the Company had been able to maintain its market leadership and surpass not only its annual earnings target, but also the profitability of its peers as well. This was largely attributed to the efforts of our employees and the guidance and support of our directors, supervisors, and parent holding company.

One of the greatest challenges that the Company expects to encounter over the future is finding ways to explore new business opportunities while keeping business risks in control. Nevertheless, we expect to lead our employees through another year of greatness by committing to the Company’s management philosophy of "Integrity, Honesty, Services, Efficiency, Innovation, and Development".

Best wishes for all of you
Health and Happiness,

Chairman of the Board
Feng-Chi Ker

President and CEO
Chi-Fu Lin

Profile of the Corporation

I. Founded: May 3, 1976

II. Company History

(I) May 20, 1976, started business, with paid-in capital of NT$200 million.

(II) January 5, 1981, relocated the head office to an acquired property at Section 2 Nanjing East Road, Taipei City.

(III) June 26, 1990, completed an initial public offering that increased paid-in capital to NT$2.88 billion.

(IV) February 28, 2000, relocated the head office to "Chung Hsing Bills Tower" at Section 2 Zhongxiao East Road, Taipei City; share capital was increased to NT$28.11 billion later in May.

(V) June 12, 2002, a resolution was passed during the regular meeting of shareholders to have the Company merged into Chiao Tung Financial Holding Company through a share exchange arrangement. The exchange of shares took place on August 22 later in that year.

(VI) December 31, 2002, Chiao Tung Financial Holding Company, the parent company, was renamed Mega Financial Holding Company.

(VII) September 1, 2004, share capital was reduced by $3 billion to NT$25.11 billion.

(VIII) May 3, 2005, share capital was reduced by $5 billion to NT$20.11 billion.

(IX) May 2, 2006, relocated the head office to 2F~5F, 9F and 10F, No. 91 Hengyang Road, Taipei City.

(X) June 26, 2006, the Company was renamed Mega Bills Finance Co., Ltd. in alignment with other subsidiaries of Mega Financial Holding Company.

(XI) July 2, 2007, share capital was reduced by $5 billion to NT$15.11 billion.

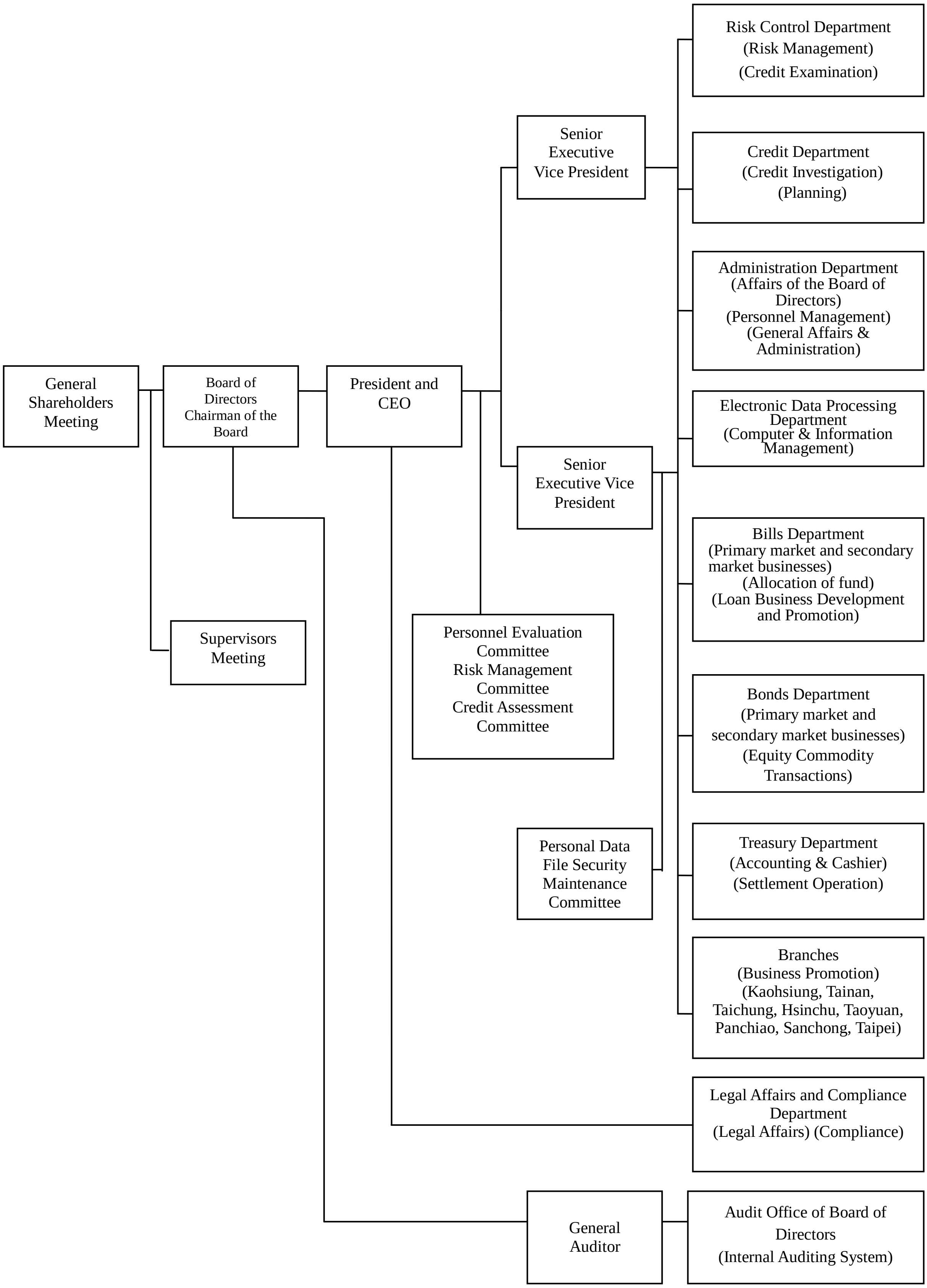
(XII) August 3, 2009, share capital was reduced by $2 billion to NT$13.11 billion.

(XIII) November 1, 2012, received “Best Bills Finance Company Award” in the “6th Annual Taiwan Excellent Financial Elite Award” directed by the Financial Supervisory Commission and organized by the Taiwan Academy of Banking and Finance.

(XIV) October 31, 2014, received “Best Bills Finance Company Award” second in a row in the “7th Annual Taiwan Excellent Financial Elite Award” directed by the Financial Supervisory Commission and organized by the Taiwan Academy of Banking and Finance.

Corporate Governance Report

I. Organizational Structure



II. Information about the Directors, Supervisors, President and CEO, Senior Executive Vice Presidents, Executive Vice Presidents, and Executives of each Department and Branch Office

(I) Directors and Supervisors

1. Information about directors and supervisors (1)

March 2, 2015

Job Title (Note 1)	Country or place of registration	Name	Date of Election (Appointment)	Term of Office (Note 2)	Date of First Election (Appointment)	Current Share Holding	Main Educational and Professional Background		Current Posts Held at Other Companies Concurrent to MBF Post	Other Executive Officers, Directors or Supervisors Within Two Degrees of Kinship of Self or Spouse
							Education	Experience		
Chairman of the Board	Republic of China	Feng-Chi Ker (Note 3)	2015.03.02	2018.03.01	2015.03.02	(Note 1)	Department of Insurance, Tam Kang University	Mega Bank - Vice President and head of Credit Control Department; Mega Bank - manager of Chengzhong Branch	Vice President, Mega Holdingss	None
Director & President and CEO	Republic of China	Chi-Fu Lin (Note 3)	2015.03.02	2018.03.01	2015.03.02		Department of Public Finance, National Chung Hsing University	Vice President, MBF Assistant Vice President and manager of Bills Department	None	
Independent Director	Republic of China	Tsai-Chih Chen	2015.03.02	2018.03.01	2015.03.02		PHD of Insurance, Wharton School, University of Pennsylvania,	Associate professor of Dept. of Risk Management and Insurance of National Chengchi University (NCCU); Dean of Dept. of Risk Management and Insurance of NCCU; President of Graduate Institute of Risk Management and Insurance of NCCU	Professor of Dept. of Risk Management and Insurance and NCCU	
Independent Director	Republic of China	Tai-Lung Chen	2015.03.02	2018.03.01	2015.03.02		MBA, University of West Florida	Vice Secretariat of Taiwan Financial Services Roundtable, Executive Vice President of Taiwan Academy of Banking and Finance and also Director of Financial Research Institute and Overseas Business Institute	Executive Vice President of Taiwan Academy of Banking and Finance, Chairman of Education & Training Committee of Association of Financial Planners of Taiwan (CFP), Member of R&D Committee of the Bankers Association of the Republic of China, Mainland China Division, and Member of Executive Committee on Financial Information System Inter-Bank Protocol	
Director	Republic of China	Jui-Yun Lin	2015.03.02	2018.03.01	2015.03.02		Master, Graduate Institute of Public Finance, NCCU	Ministry of Finance - Auditor of National Treasury Administration, section head of Taxation Administration; Chiao Tung Bank - head of Accounting Division, ; Mega Holdingss - Director, Assistant Vice President of Treasury Department; Mega Bank - Supervisor; Taiwan Business Bank - Managing Director, Supervisor	Senior Executive Vice President of Mega Holdingss; Chairman of Chung Kuo Insurance Company, Limited,; Chairman and President of Mega Venture Capital Co., Ltd.; Chairman of Nuclear Insurance Association of the Republic of China ; Director of Mega Charity Foundation ; Director of Taipei Financial Center Corporation	

Director	Republic of China	To-Ching Hu	2015.03.02	2018.03.01	2015.03.02		MBA, Bloomsburg University	VP of Sunny Bank, VP of Kao Hsing Bank, Executive Vice President of Macoto Bank and VP of Chung Kuo Insurance Company, Limited	Consultant of Chung Kuo Insurance Company, Limited	
Director	Republic of China	Zong-Ming Yen	2015.03.02	2018.03.01	2015.03.02		Master of Economics, Soochow University	Head of National Science Council Science Park Administration, part-time associate professor-grade technician of National Chiao Tung University, Executive Director of Asian Science Parks Association, Director of International association of Science Parks, and head of Industrial and Commercial Section, head of Investment Section, and deputy head of Science Park Administration	Vice Chairman of Wholetech System Hitech Limited, Supervisor of Ablerex Electronics Co., Ltd., part-time lecturer of Chung Hua University Department of Technology Management, visiting professor of Hsuan Chuang University postgraduate business administration program, consultant of Chinese Professional Management Association of Hsinchu, and advisor for Hsinchu City Government	
Director	Republic of China	Chun-Hsiang Li	2015.03.02	2018.03.01	2015.03.02		Master of Accounting, University of Illinois	Mega Bank - Deputy Manager of Treasury Department	Mega Bank - Manager of Treasury Department	
Supervisor	Republic of China	Dan-Hun Lu	2015.03.02	2018.03.01	2015.03.02		Master of Public Finance, National Chengchi University, Taiwan	Mega Bank - Assistant Vice President and head of Planning Department; Chiao Tung Bank - Assistant Vice President of Planning Department, manager of Investment Department, manager of Treasury Department, Singapore Branch manager, Da'an Branch manager; Waterland Financial Holdings - Supervisor	Mega Bank - Vice President, Managing Director; Mega Holdingss - Vice President; Win Card Co., Ltd. - Director; Cathay Investment & Development Corporation (Bahamas) - Director; Mega International Commercial Bank Public Co., Ltd. - Director; Yung Shing Industries Co., Ltd. - Chairman; China Products Trading Co. - Chairman; Mega I Venture Capital - Chairman; Global Venture Investment Co., Ltd. - Chairman	
Supervisor	Republic of China	Ching-Lung Hung	2015.03.02	2018.03.01	2015.03.02		Master of Commerce, Waseda University	Mega Bank - Assistant Vice President and manager of Foreign Department, Assistant Vice President and head of Central Credit Center	Mega Bank - Chief Auditor; Mega International Investment Trust - Supervisor	
Supervisor	Republic of China	Jia-Min Hung	2015.03.02	2018.03.01	2015.03.02		Department of Accounting, National Chung Hsing University	Mega Holdingss - deputy manager of Administration Department	Mega Holdingss - manager of Administration Department; Mega Securities - Director	

Note:

1. The Company's total number of shares is 1,311,441,084 shares. The Company is a wholly owned subsidiary of Mega Financial Holding Co., Ltd, and its directors and supervisors are all appointed by representative of Mega Holdingss.
2. The Company's 14th board of directors and supervisors were appointed by Mega Holdingss on 2015.2.24 to serve a term from 2015.3.2 until 2018.3.1. The 14th board of directors (including independent directors) and supervisors is comprised of: Chairman Feng-Chi Ker, Director/President Chi-Fu Lin, Independent Director Tsai-Chih Chen, Independent Director Tai-Lung Chen, Director Zong-Ming Yen, Director Jui-Yun Lin, Director To-Ching Hu, Director Chun-Hsiang Li, Supervisor Dan-Hun Lu, Supervisor Ching-Lung Hung, and Supervisor Jia-Min Hung.
3. During the 1st meeting of the 14th board of directors held on 2015.3.2, Feng-Chi Ker was elected Chairman while Chi-Fu Lin was appointed the position of President.

2. Major shareholders of corporate shareholders

Transfer to be suspended on December 31, 2014

Name of Corporate shareholder	Major shareholders of Corporate shareholders (with shareholding among the top 10)	Shareholding
Mega Financial Holding Co., Ltd.	Ministry of Finance	9.18%
	The National Development Fund, Executive Yuan of the R.O.C.	6.10%
	Fubon Life Insurance Co., Ltd.	3.25%
	Chunghwa Post Co., Ltd.	2.78%
	Bank of Taiwan Co., Ltd.	2.49%
	Cathay Life Insurance Co., Ltd.	2.39%
	China Life Insurance Company	1.92%
	Standard Chartered Bank in its capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund	1.50%
	New Labor Pension Fund	1.48%
	Pou Chen Corporation	1.42%

3. Major Shareholders of Major Corporate Shareholders

Shares transfers suspended on December 31, 2014

Name of corporate shareholder	Key shareholders of corporate shareholders (Note)
Ministry of Finance	Government
National Development Fund, Executive Yuan	Government
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100.00%)
Chunghwa Post Co., Ltd.	MOTC (100.00%)
Bank of Taiwan Co., Ltd.	Taiwan Financial Holding Co., Ltd. (100.00%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100.00%)
China Life Insurance Company Limited	KGI Securities Co., Ltd. (9.88%) J. P. Morgan Taiwan - Taipei Branch entrusted with Saudi Arabia Central Bank Investment Account (5.04%) Citibank entrusted with Singapore Government Investment Account (2.86%) Deutsche Bank AG Taipei Branch in its Capacity as Master Custodian for Investment Account of New York Trust (2.51%) Videoland Inc. (2.35%) New Labor Pension Fund (2.34%)

	JP Morgan Chase Bank Taipei Branch in its Capacity as Master Custodian for Investment Account of Abu Dhabi Investment Authority (1.65%) Yuanta Securities Co., Ltd. (1.40%) JP Morgan Chase Bank in its Capacity as Master Custodian of T. Rowe Price Institutional Emerging Markets Equity Fund (1.39%) Hai Sheng Investment Co., Ltd. (1.18%)
Pou Chen Corporation	PC Brothers Corporation (7.24%) Quan Mao Investment Co., Ltd. (5.55%) Red Magnet Developments (BVI) Ltd. (4.61%) Kai Tai Investment Co., Ltd. (4.56%) Taishin International Bank in its Capacity as Trustee for Property Account of Chi-Jui Tsai (3.46%) HSBC in its Capacity as Master Custodian for Trustee Account of Societe Generale (2.59%) Shin Kong Life Insurance Co., Ltd. (2.41%) Mega International Commercial Bank in its Capacity as Master Custodian for Investment Account of Mega Securities (Hong Kong) Co., Ltd. (1.86%) Bank of Taiwan entrusted with Investment Account of UOB Kay Hian Private Company (1.67%) Standard Chartered Bank in its capacity as Master Custodian for Vanguard Emerging Stock Market Index Fund (1.62%)

Note: Top 10 shareholders

4. Information about directors and supervisors (2)

March 2, 2015

Qualification / Name	Five-Year or More Work Experience and Following Professional Qualifications			Status of Compliance With Independence (Note)										Number of other public companies in which the director/supervisor serves as independent directors concurrently
	Lecturer or higher senior post at public or private junior college in fields related to business, law, finance, accounting, or other fields that the company's businesses might require	Judges, prosecutors, lawyers, accountants or other specialist professional and technical staff possessing pass certificates for national examinations in other fields required by the company’s businesses	Work experience required for business, law, finance, accounting or corporation business	1	2	3	4	5	6	7	8	9	10	
Feng-Chi Ker			✓	✓	✓	✓	✓			✓	✓	✓		0
Chi-Fu Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Jui-Yun Lin	✓		✓			✓	✓			✓	✓	✓		0
To-Ching Hu			✓		✓	✓	✓	✓		✓	✓	✓		0
Zong-Ming Yen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Tsai-Chih Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tai-Lung Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chun-Hsiang Li			✓		✓	✓	✓	✓		✓	✓	✓		0
Dan-Hun Lu	✓		✓			✓	✓			✓	✓	✓		0
Ching-Lung Hung			✓			✓	✓	✓		✓	✓	✓		0
Jia-Min Hung		✓	✓			✓	✓			✓	✓	✓		0

Note: Requirements to be met by each director and supervisor two years before their selection and appointment and for the duration of their tenure of the post.

1. Not employed by the Company or any of its affiliated companies.
2. Not a director or supervisor of the Company or any of its affiliated companies (unless he/she is an independent director of the Company or its parent company, or any subsidiary companies in which the Company directly or indirectly holds more than 50% of the shares with voting right).
3. Neither oneself, one’s spouse, nor any non-adult male or female child of oneself, either in their own or anybody else’s name holds more than one percent of the Company’s shares, or serves as one of the Company’s top-ten natural person shareholders.
4. Not a spouse of any of the persons listed in the above three clauses, or related to such a person within two or three, etc., degrees of direct consanguinity.
5. Not a director, supervisor or employee of corporate shareholders directly holding more than five percent of issued shares of the Company or ranking among the first five corporate shareholders.
6. Not a director, supervisor, or manager of a specific company or organization with financial or business dealings with the Company, or a shareholder of such a specific company or organization holding more than five percent of shares.
7. Not a professional person, or an owner, partner, director, supervisor, manager and their spouse of proprietorship, partnership, company or organization, that provides business, legal, financial, accounting, etc., services or advice to the Company or its affiliated companies. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/GTSM Listed Companies and their Exercise of Powers.
8. Not a spouse of, or related within the second degree of consanguinity to, any other director.
9. Free from any circumstances referred to in Article 30 of the Company Act.
10. Not have been elected by government, a juridical person or representatives thereof as stipulated by Article 27 of the Company Act.

(II) Information about President and CEO, Senior Executive Vice Presidents, Executive Vice Presidents, and Executives of each Department and Branch Office

March 31, 2015

Job Title	Nationality	Name	Date of Election (Appointment)	Shareholding		Shareholdings of spouse and underage children		Shares held by proxy		Main Educational and Professional Background		Current post held concurrently in other companies	Other General Managers within two degrees of kinship of self or spouse		
				Quantity	Shareholding	Quantity	Shareholding	Quantity	Shareholding	Education	Experience		Job Title	Name	Relationship
President and CEO	Republic of China	Chi-Fu Lin	2015.03.02	-	-	-	-	-	-	Department of Public Finance, National Chung Hsing University	Senior Executive Vice President, Executive Vice President and General Manager of Bills Department, MBF	-	-	-	-
Senior Executive Vice President	Republic of China	Chin-Tsan Wei	2006.09.08	-	-	-	-	-	-	Dept. of Accounting, Fu Jen University	Executive Vice President, Mega Holdingss	-	-	-	-
Senior Executive Vice President	Republic of China	Ching-Wen Wu	2009.01.05	-	-	-	-	-	-	Department of Business Administration, Feng Chia University	Executive Vice President , MBF, and General Manager, Bills Dept., MBF	-	-	-	-
Senior Executive Vice President and General Auditor	Republic of China	Yi-Sheng Wang	2013.07.01	-	-	-	-	-	-	Dept. of Banking, Tamkang University	Executive Vice President and General Manager, Risk Control Dept.	-	-	-	-
Executive Vice President and General Manager, Risk Control Department	Republic of China	Chin-Sheng Huang	2014.03.03	-	-	-	-	-	-	Master, Graduate Institute of Engineering, National Taiwan University of Science and Technology	Executive Vice President, MBF, and General Manager, Sanchong branch, MBF	-	-	-	-
Executive Vice President and General Manager, Bills Department	Republic of China	Jung-Chieh Cheng	2014.07.01	-	-	-	-	-	-	Master of Commercial Automation and Administration, National Taipei University of Technology	Executive Vice President,and General Manager, Banqiao Branch, MBF	-	-	-	-
Executive Vice President and General Manager, Bonds Department	Republic of China	Chun-Chang Lee	2015.02.02	-	-	-	-	-	-	Master of Commerce, National Taiwan University	Executive Vice President,and General Manager,Administration Department, MBF	-	-	-	-
General Manager, Treasury Department	Republic of China	Chih-Hsiung Chiu	2011.03.01	-	-	-	-	-	-	Master, Graduate Institute of Accounting, Tamkang University	Deputy General Manager, Treasury Dept. MBF	-	-	-	-
General Manager, Credit Department	Republic of China	Shuo-Cheng Lee	2013.03.08	-	-	-	-	-	-	Master, Graduate Institute of Economics,	Deputy General Manager, Risk Control Dept. MBF	Director, Core Pacific City Co., Ltd. -	-	-	-

										National Taiwan University					
General Manager, Administration Department	Republic of China	Shih-Rong Lin	2015.02.02	-	-	-	-	-	-	Master, Finance Department, University of Iowa	General Manager, Bonds Dept. MBF	-	-	-	-
Executive Vice President and General Manager, Electronic Data Processing Department	Republic of China	Hsi-Bin Yo	2014.05.16	-	-	-	-	-	-	Master of Engineering, National Taiwan University of Science and Technology	General Manager, Electronic Data Processing Department, MBF	-	-	-	-
General Manager, Legal Affairs and Compliance Department	Republic of China	Cheng-Bi Dai	2015.02.04	-	-	-	-	-	-	Department of Agriculture Promotion, National Taiwan University	Senior Auditor, MBF	-	-	-	-
Executive Vice President and General Manager, Kaohsiung Branch	Republic of China	Yao-Kuang Tsai	2008.01.16	-	-	-	-	-	-	Department of Banking, Tam Kang University	Executive Vice President, MBF, and General Manager, Guarantee Dept., MBF	-	-	-	-
Executive Vice President and General Manager, Tainan Branch	Republic of China	Tsung-Chung Lin	2012.02.01	-	-	-	-	-	-	Dept. of Business Administration, Chung Yuan Christian University	General Manager, Tainan Branch, MBF	-	-	-	-
Executive Vice President and General Manager, Taichung Branch	Republic of China	Jung-Kun Wu	2014.05.16	-	-	-	-	-	-	Department of Banking, NCCU	General Manager, Tainan Branch, MBF	-	-	-	-
General Manager, Hsinchu Branch	Republic of China	Kun-Shui Lin	2013.03.08	-	-	-	-	-	-	Master of Business Administration, I-Shou University	General Manager, Chiayi Branch, MBF	-	-	-	-
General Manager, Taoyuan Branch	Republic of China	Shih-Ming Wang	2014.07.01	-	-	-	-	-	-	Master of Finance, Tam Kang University	Deputy General Manager of Risk Control Department, MBF	-	-	-	-
General Manager, Sanchong Branch	Republic of China	Shih-Yi Chen	2014.07.01	-	-	-	-	-	-	MBA, Katholieke Universiteit Leuven	General Manager, Taoyuan Branch, MBF	-	-	-	-
General Manager, Banqiao Branch	Republic of China	Ming-Chih Cheng	2014.07.01	-	-	-	-	-	-	Ph.D. in International Relations, Jinan University	Generak Manager, Sanchong Branch , MBF	-	-	-	-
General Manager, Taipei Branch	Republic of China	Ming-Pao Wang	2015.02.26	-	-	-	-	-	-	Master, Graduate Institute of Accounting and Taxation, Feng Chia University	General Manager, Chiayi Branch, MBF	-	-	-	-

III. Remuneration paid to directors, supervisors, President and CEO, and Senior Executive Vice Presidents in the most recent year

(I) Remuneration to directors (including independent directors)

December 31, 2014; unit: NT$ thousands

Title	Name	Remuneration to Director								Total of (A), (B), (C) and (D) in Post-Tax Profit Ratio (%)		Remuneration Drawn by Employees Holding Concurrent Posts												Total of (A), (B), (C), (D), (E), (F) and (G) in Post-Tax Profit Ratio (%)		Whether remuneration is also drawn from non-subsidiary companies in which the company has invested
		Remuneration (A)		Pension (B)		Remuneration allocated from earnings (C)		Professional practice expenses (D)				Salaries, bonuses and special allowances (E)		Pension (F)		Employee bonus allocated from earnings (G)				Quantity of shares entitled under employee stock options (H)		Acquired limited employee rights new shares				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
																Cash dividends	Stock dividends	Cash dividends	Stock dividends							
Former Chairman	Darby Liu (Note 1)																									
Former Chairman	Chii-Bang Wang (Note 1)																									
Director	Jui-Yun Lin																									
Former Director	Chao-Hsien Lai																									
Former Director	Ying-Hua Wu																									
Director	To-Ching Hu																									
Director	Zong-Ming Yen (Note 2)																									
Independent Director	Tsai-Chih Chen																									
Independent Director	Tai-Lung Chen																									
Total		8,099	8,099	-	-	-	-	2,202	2,202	0.34	0.34	2,865	2,865	-	-	-	-	-	-	-	-	-	-	0.44	0.44	None

Note:

1. Chairman Darby Liu was discharged on 2014.5.28 and was succeeded by Director/President Chii-Bang Wang, whose term of service ended on 2015.3.2. During the 1st meeting of the 14th board of directors held on 2015.3.2, Feng-Chi Ker was elected Chairman of the Company.
2. On 2014.6.24, Mega Holdingss appointed Mr. Zong-Ming Yen as replacement director.
3. Directors' remuneration (including independent directors) was accurate as at 2014.12.31.
4. Housing and vehicle lease payments were included into the “professional practice expenses (D)” section. For the relevant information, please refer to Schedules A & B on page 18.
5. Performance bonus and allocation of earnings granted by the Company to the officers were based on the annual estimates. The actual amount thereof shall be authorized by the parent company.

Scales of Remuneration

Directors' remuneration bracket	Director's Name			
	Total of A+B+C+D		Total of A+B+C+D+E+F+G	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Below NT$ 2,000,000	Jui-Yun Lin, Chao-Hsien Lai, Ying-Hua Wu, To-Ching Hu, Zong-Ming Yen, Tsai-Chih Chen, Tai-Lung Chen	Jui-Yun Lin, Chao-Hsien Lai, Ying-Hua Wu, To-Ching Hu, Zong-Ming Yen, Tsai-Chih Chen, Tai-Lung Chen	Jui-Yun Lin, Chao-Hsien Lai, Ying-Hua Wu, To-Ching Hu, Zong-Ming Yen, Tsai-Chih Chen, Tai-Lung Chen	Jui-Yun Lin, Chao-Hsien Lai, Ying-Hua Wu, To-Ching Hu, Zong-Ming Yen, Tsai-Chih Chen, Tai-Lung Chen
NT$2,000,000 ~ NT$5,000,000	Darby Liu, Chii-Bang Wang	Darby Liu, Chii-Bang Wang	Darby Liu	Darby Liu
NT$5,000,000 ~ NT$10,000,000			Chii-Bang Wang	Chii-Bang Wang
NT$10,000,000 ~ NT$15,000,000				
NT$15,000,000 ~ NT$30,000,000				
NT$30,000,000 ~ NT$50,000,000				
NT$50,000,000 ~ NT$100,000,000				
NT$ 100,000,000 and above				
Total (NT$ Thousand)	10,301	10,301	13,166	13,166

Note: this remuneration bracket table is accurate as at 2014.12.31

(II) Remuneration to Supervisors

December 31, 2014; unit: NT$ thousands

Job Title	Name	Supervisors' remuneration								Sum of A, B, C, and D as a percentage of after-tax profit		Remuneration from invested businesses other than the subsidiaries
		Remuneration (A)		Pension (B)		Remuneration from earnings appropriation (C)		Fees for services rendered (D)				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
Supervisor	Tan-Hun Lu											
Supervisor	Ching-Lung Hung											
Supervisor	Chia-Min Hung											
Total		-	-	-	-	-	-	833	833	0.03	0.03	None

Scales of Remuneration

Supervisor' remuneration bracket	Supervisor's Name	
	Total of A+B+C+D	
	The Company	All companies included in the financial statements (E)
Below NT$ 2,000,000	Dan-Hun Lu, Ching-Lung Hung, Jia-Min Hung	Tan -Hun Lu, Ching-Lung Hung, Chia-Min Hung
NT$2,000,000 ~ NT$5,000,000		
NT$5,000,000 (inclusive) ~ NT$10,000,000		
NT$10,000,000 (inclusive) ~ NT$15,000,000		
NT$15,000,000 (inclusive) ~ NT$30,000,000		
NT$30,000,000 (inclusive) ~ NT$50,000,000		
NT$50,000,000 (inclusive) ~ NT$100,000,000		
NT$ 100,000,000 and above		
Total ($,000)	833	833

Note: this remuneration bracket table is accurate as 2014.12.31

(III) Remuneration to the President and CEO and Senior Executive Vice Presidents

December 31, 2014; unit: NT$ thousands

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowance, et al. (C)		Employee Bonus Allocated from Earnings (D)				Total of (A), (B), (C) and (D) in Post-Tax Profit Ratio (%)		Numbers of Employee Stock Option obtained		Acquired limited employee rights new shares		Whether remuneration is also drawn from non-subsidiary companies in which the company has invested
		The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements	The Company		All companies included in the financial statements		The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements	
								Cash dividend amount	Stock dividend amount	Cash dividend amount	Stock dividend amount							
President and CEO	Chi-Fu Lin (Note 1)																	
Former President	Chii-Bang Wang (Note 2)																	
Vice President	Chin-Tsan Wei																	
Vice President	Ching-Wen Wu																	
Senior Executive Vice President and General Auditor	Yi-Sheng Wang																	
Total		9,814	9,814	-	-	9,363	9,363	3,774	-	3,774	-	0.76	0.76	-		-		None

Note:

1. Executive Vice President Chi-Fu Lin was promoted to Senior Executive Vice President on 2014.4.1 and has served as Acting President and CEO since 2014.5.28. During the 1st meeting of the 14th board of directors held on 2015.3.2, Lin was officially appointed the role of President.
2. The role of Chairman and CEO was assumed by Director/President Chii-Bang Wang 2014.5.28, whose term of service had ended on 2015.3.2.
3. President and CEO and Senior Executive Vice Presidents' remuneration were accurate as at 2014.12.31
4. Performance bonus and appropriation of earnings were estimated figures. The actual amount is subject to parent company's approval.
5. Refer to Attachments A and B on page 18 for details relating to company vehicles, gas and housing subsidies.

Scales of Remuneration

President and CEO and Senior Executive Vice Presidents' remuneration brackets	President and CEO and Senior Executive Vice Presidents	
	The Company	All companies included in the financial statements
Below NT$ 2,000,000		
NT$2,000,000 ~ NT$5,000,000	Chii-Bang Wang, Chi-Fu Lin	Chii-Bang Wang, Chi-Fu Lin
NT$5,000,000 ~ NT$10,000,000	Chin-Tsan Wei, Ching-Wen Wu, Yi-Sheng Wang	Chin-Tsan Wei, Ching-Wen Wu, Yi-Sheng Wang
NT$10,000,000 ~ NT$15,000,000		
NT$15,000,000 ~ NT$30,000,000		
NT$30,000,000 ~ NT$50,000,000		
NT$50,000,000 ~ NT$100,000,000		
NT$ 100,000,000 and above		
Total ($ Thousand)	22,951	22,951

Note: 1. Remuneration paid to former Chairman Chii-Bang Wang was for the period 2014.1.1 to 2014.5.27, during which Wang served as President of the Company.

2. Remuneration paid to President Chi-Fu Lin was for the period 2014.4.1 to 2014.12.31, during which Lin served as Senior Executive Vice President and Acting President and CEO of the Company.

Schedule A. Vehicles provided to Chairman, Presidents and CEOs and Senior Executive Vice Presidents, and imputed annual rent thereof in 2014

December 31, 2014; unit: NT$ Thousand

<table>
<tr><th>Job Title</th><th>User</th><th>Purchase of Vehicle</th><th>Imputed Annual Rent</th><th>Fuel Expense</th><th>Remark</th></tr>
<tr><td>Former Chairman</td><td>Chii-Bang Wang</td><td rowspan="6">-</td><td rowspan="6">2,293</td><td rowspan="6">259</td><td rowspan="6">Rental</td></tr>
<tr><td>Former Chairman</td><td>Darby Liu</td></tr>
<tr><td>President and CEO</td><td>Chi-Fu Lin</td></tr>
<tr><td>Senior Executive Vice President</td><td>Chin-Tsan Wei</td></tr>
<tr><td>Senior Executive Vice President</td><td>Ching-Wen Wu</td></tr>
<tr><td>Senior Executive Vice President and General Auditor</td><td>Yi-Sheng Wang</td></tr>
</table>

Note: 1. Drivers' salary, bonus and allowance totaling NT$1,834,000 were paid in 2014 as compensation for the Chairman and President's service.

2. Chairman Darby Liu resigned on 2014.5.28 and was succeeded by Director/President Chii-Bang Wang, whose term of service ended on 2015.3.2. Vice President Chi-Fu Lin had served as Acting President since 2014.5.28 and was appointed the role of President during the 1st meeting of the 14th board of directors held on 2015.3.2.

Schedule B. Housing allowance provided for the Chairman, the President, and Senior Executive Vice Presidents in 2014

December 31, 2014; unit: NT$ thousands

<table>
<tr><th>Job Title</th><th>User</th><th>Cost</th><th>Imputed Annual Rent</th><th>Remark</th></tr>
<tr><td>Former Chairman</td><td>Darby Liu</td><td>-</td><td rowspan="3">1,337</td><td rowspan="3"></td></tr>
<tr><td>Former President</td><td>Chii-Bang Wang</td><td>-</td></tr>
<tr><td>President and CEO</td><td>Chi-Fu Lin</td><td>3,464</td></tr>
</table>

(IV) Names of Managers Receiving Allocated Employee Bonus, and Status of Allocation

December 31, 2014; unit: NT$ thousands

	Job Title	Name	Stock dividend amount	Cash dividend amount	Total	As a percentage to after-tax profit (%)
Senior Vice Presidents and General Managers	Senior Executive Vice President	Chin-Tsan Wei				
	Senior Executive Vice President	Ching-Wen Wu				
	Senior Executive Vice President and General Auditor	Yi-Sheng Wang				
	Executive Vice President	Yao-Kuang Tsai				
	Executive Vice President	Chin-Sheng Huang				
	Executive Vice President	Chun-Chang Lee				
	Executive Vice President	Tsung-Chung Lin				
	Executive Vice President	Jung-Chieh Cheng				
	Executive Vice President	Hsi-Bin Yo				
	Executive Vice President	Jung-Kun Wu				
	General Manager	Ming-Chih Cheng				
	General Manager	Chih-Hsiung Chiu				
	General Manager	Kun-Shui Lin				
	General Manager	Shih-Rong Lin				
	General Manager	Shuo-Cheng Lee				
	General Manager	Ming-Pao Wang				
	General Manager	Shih-Yi Chen				
	General Manager	Shih-Ming Wang				
	Total		-	13,952	13,952	0.46

(V) Analysis of remuneration paid to directors, supervisors, the President and Vice Presidents

1. Remuneration to directors, supervisors, the President and Senior Executive Vice Presidents as a percentage of after-tax profit

   The sum of remuneration paid to the Company's directors, supervisors, President and Senior Executive Vice Presidents represented 1.78% and 1.14% of after-tax profit in 2013 and 2014, respectively.

2. Remuneration policies, standards, packages and procedures, and relevance to risks and future business performance

   The Company's directors and supervisors have been entirely appointed by the sole shareholder - Mega Financial Holding Co., Ltd. The Chairman and the director who co-heads the President position are remunerated according to the policies of the Company and its parent company for services rendered; independent directors are remunerated within limits set by the parent company; all other directors and supervisors are given compensation and travel allowance only for meetings attended. Senior Executive Vice Presidents are remunerated based on performance, subject to the Company's policies.

IV. Corporate governance:

(I) Functionality of the board of directors:

14(A) Board Meetings Called in the Most Recent Year and Attendance Thereof:

Job Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) B/A	Remarks
Former Chairman	Darby Liu	5	0	100	Discharged 2014.5.28
Former Chairman	Chii-Bang Wang	14	0	100	Term of service ended 2015.3.2
Director	Jui-Yun Lin	14	0	100	
Former Director	Chao-Hsien Lai	14	0	100	
Former Director	Ying-Hua Wu	14	0	100	
Director	To-Ching Hu	14	0	100	
Director	Zong-Ming Yen	8	0	100	On board 2014.6.24
Independent Director	Tsai-Chih Chen	13	1	93	
Independent Director	Tai-Lung Chen	14	0	100	

Other notes to be specified:

1. Disclosures required by Article 14-3 of the Securities and Exchange Act and any documented opposition or qualified opinions made by Independent Directors against board of directors' resolutions: none.
2. Avoidance of conflicting-interest agendas by directors:
   (1). During the 27th meeting of the 13th board of directors held on January 21, 2014, an agenda was proposed to grant Brighton-Best International (Taiwan) Inc., Shin Ruenn Development Co., Ltd., and He Xiong Construction Co., Ltd. the credit limit to issue guaranteed CP2, for which Director Chii-Bang Wang, Director Chao-Hsien Lai, Director Dan-Hun Lu, and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.
   (2). During the 28th meeting of the 13th board of directors held on February 25, 2014: 1. An agenda was proposed to fund charity activities of "Mega Charity Foundation" by way of a donation, for which Director Chii-Bang Wang and Director Chao-Hsien Lai had avoided discussion and voting in relation to the agenda. 2. An agenda was proposed to grant Chailease Finance Co., Ltd. the credit limit to issue guaranteed CP2, for which Director Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.
   (3). During the 29th meeting of the 13th board of directors held on March 25, 2014, an agenda was proposed to exercise shareholder authority and remove restrictions regarding directors' involvement in competing businesses, for which Director Jui-Yun Lin had avoided discussion and voting in relation to the agenda.
   (4). During the 33rd meeting of the 13th board of directors held on June 25, 2014: 1. An agenda was proposed to remunerate Chairman Chii-Bang Wang and Acting President Chi-Fu Lin according to instructions of the parent company, for which Chairman Chii-Bang Wang and Acting President Chi-Fu Lin had avoided discussion and voting in relation to the agenda.
   (5). During the 34th meeting of the 13th board of directors held on July 22, 2014, an agenda was proposed to grant YeaShin International Development Co., Ltd., Jiashi Construction Co., Ltd., and Chialin Precision Industrial Co., Ltd. the credit limit to issue guaranteed CP2, for which Chairman Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.
   (6). During the 35th meeting of the 13th board of directors held on August 26, 2014, an agenda was proposed to grant Pacific SOGO Co., Ltd. the credit limit to issue guaranteed CP2, for which Chairman Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.
   (7). During the 36th meeting of the 13th board of directors held on September 22, 2014: 1. An agenda was proposed to grant SinoPac Leasing Company and Zhancheng Development Co., Ltd. the credit limit to issue guaranteed CP2, for which Chairman Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda. 2. An agenda was proposed to underwrite non-guaranteed commercial papers of Mega Securities Co., Ltd., for which

Supervisor Jia-Min Hung had avoided discussion and voting in relation to the agenda.

(8). During the 37th meeting of the 13th board of directors held on October 28, 2014, an agenda was proposed to grant Ching Fu Shipbuilding Co., Ltd. the credit limit to issue guaranteed CP2, for which Chairman Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.

(9). During the 39th meeting of the 13th board of directors held on November 25, 2014: 1. An agenda was proposed to grant Mega Asset Management Co., Ltd. the credit limit to issue guaranteed CP2, for which Director Chao-Hsien Lai had avoided discussion and voting in relation to the agenda. 2. An agenda was proposed to grant Tone Ray Construction Co., Ltd. the credit limit to issue guaranteed CP2, for which Chairman Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.

(10). During the 40th meeting of the 13th board of directors held on December 23, 2014, an agenda was proposed to grant Sunrise Golf and Country Club the credit limit to issue guaranteed CP2, for which Chairman Chii-Bang Wang, Director Chao-Hsien Lai, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had avoided discussion and voting in relation to the agenda.

3. Enhancements to the functionality of board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements: none.

(II) Supervisors' involvements in board of directors meetings:

14(A) Board Meetings Called in the Most Recent Year and Attendance Thereof:

Job Title	Name	Attendance in Person (B)	Actual Attendance Rate (%) B/A	Remarks
Supervisor	Dan-Hun Lu	14	100	
Supervisor	Ching-Lung Hung	14	100	
Supervisor	Jia-Min Hung	14	100	

Other remarks:

1. Constitution and obligations of supervisors:
   (1). Supervisors' communication with employees and shareholders (e.g. communication channels and methods): supervisors are able to communicate with the Company's employees and shareholders via written correspondence, telephone, fax and other appropriate means.
   TEL: (02)2358-1665/Fax: (02)3393-8755/Address: 20F, No. 123, Section 2 Zhongxiao East Road, Taipei City 100
   (2). Supervisors' communication with Chief Auditor and external auditors (e.g. the details, means and outcomes of discussion regarding the Company's financial position and business performance): the Company's internal audit reports and financial statements are submitted regularly for review by supervisors. Supervisors may also initiate communication with the Chief Auditor and external auditors via meetings, written correspondence, telephone, fax or other appropriate means. In addition, supervisors may be invited to participate in board of directors meeting to gain more insight on the agendas discussed as well as the Company's financial position and business performance.
2. Opinions expressed by supervisors in board meetings; state the date and term of the meeting held, the agenda, the board's resolution, and how the company has responded to supervisors' opinions: none.

(III) Corporate governance information: please refer to the "Statutory Disclosure" section on the Company's website (http://www.megabills.com.tw/)

(IV) The Company's status of corporate governance, and non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance

Item	Status			Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No	Summary description	
1. Shareholding structure and shareholders' interests (1) Are shareholders' suggestions, queries, disputes and litigations handled properly? (2) Is the company constantly informed of the identities of its major shareholders and the ultimate controller? (3) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	V V V		1. The Company is a 100%-owned subsidiary of Mega Holdingss. All above matters are handled according to the policies of Mega Holdingss. 2. Mega Holdingss is the Company's sole shareholder; the identity of the Company's ultimate controller can be established via the parent company. 3. The Company is entirely independent from affiliated entities in terms of personnel, assets, and financial decisions. The parent company's "Mega Group Risk Management Policy and Guidelines "and" Mega Holdingss and Subsidiaries Firewall Policy govern dealings with affiliated entities. (1) Information security: the Company has established transaction authority and file access rights as means of control. (2) Confidentiality of customers' information: accesses to customers' information are subject to proper authorization before proceeding. Customers' consents are obtained before their information can be used and shared for joint marketing purpose. The Company has established confidentiality agreements with other subsidiaries of the group to ensure the secrecy of customers' information. (3) Related party transactions: the Company maintains a list of related parties and reports transactions regularly to the parent company - Mega Holdingss, through which related party disclosures are made to the authority.	Compliant with "Corporate Governance Best-Practice Principles for Bill Financing Companies"
2. Constitution and obligations of the board of directors (1) Does the company have independent directors in place? (2) Are external auditors' independence assessed on a regular basis?	V V		1. The Company has 8 directors, 2 of whom are independent directors. All directors are appointed by the parent company - Mega Holdingss. 2. The Company evaluates independence of its external auditors at the time of appointment.	Compliant with "Corporate Governance Best-Practice Principles for Bill Financing Companies"
3. Does the company have means of communication with its stakeholders?	V		The Company adopts an open policy that facilitates communication with stakeholders at any time.	Compliant with "Corporate Governance Best-Practice Principles for Bill Financing Companies"
4. Information disclosure (1) Has the company established a website that discloses financial, business, and corporate governance-related information? (2) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	V V		1. The Company has made a Statutory Disclosures section on its website to disclose important information such as financial reports, business performance, interest rate quotations, corporate governance, and credit rating. 2. Other means of information disclosure (1) The Company has published English version of the annual report on its website. (2) The Company has assigned dedicated personnel to gather, maintain and update information published in various sections of its website. (3) The Company has "Spokesperson and Acting Spokesperson Policy" in place to prohibit employees from speaking for the Company, thereby making sure that information is disseminated according to proper procedures. (4) The Company is not listed on TSEC or GTSM; its information is disclosed via the parent company - Mega Holdingss.	Compliant with "Corporate Governance Best-Practice Principles for Bill Financing Companies"
5. Has the company assembled a functional committee such as a nomination committee?		V	N/A	The Company is a 100%-owned subsidiary of Mega Holdingss; its directors and supervisors are entirely appointed by Mega Holdingss. Currently, the board of directors makes all major decisions of the Company.
6. Existing corporate governance practices and deviation from "Corporate Governance Best-Practice Principles for Bill Financing Companies:" the Company has complied with all requirements of "Corporate Governance Best-Practice Principles for Bill Financing Companies"				

7. Other information relevant to corporate governance practices:
   (1) Employee welfare: enforced in accordance with Labor Standards Act and the Company's work rules.
   (2) Employee care: the Company has an Employee Welfare Committee in place to handle matters such as labor insurance, national health insurance, group insurance, workers' health and safety, health checks, wedding and funeral subsidies etc.
   (3) Investor relations: the Company is a 100%-owned subsidiary of Mega Holdingss, which is the sole investor.
   (4) Stakeholders' interests: the Company adopts an open policy that enables employees, customers and vendors to reflect opinions via telephone, physical mail, email, or the customer complaint hotline.
   (5) Directors' and supervisors' education: the Company's directors and supervisors had enrolled in a number of courses including "State-owned Equity Laws," "Corporate Governance Best Practice" and "Introduction to Corporate/Banking Mergers and Acquisitions" organized by the Ministry of Finance, "Financial Statement Fraud Detection" and "Corporate Sustainability and Innovation" organized by Taiwan Corporate Governance Association, "Senior Management Forum - Emerging Role of CFO" organized by Taiwan Academy of Banking & Finance, "Corporate Governance and Social Responsibilities" organized by Taiwan Securities Association, "Risk Management Enhancements and Prevention of Fraud" organized by Chinese National Association of Industry and Commerce, and "Corporate Social Responsibility and Reporting in Practice," "Audit Committee Policies and Practices," "Financial Crisis Alerts and Case Studies," "Commercial Bribery and Prevention - A Corporate Governance Perspective," and "Fraud Risk Management - A Corporate Governance Perspective" organized by Securities and Futures Institute.
   (6) Meeting attendance by directors and supervisors: all directors and supervisors have attended board meetings as required by policy.
   (7) Risk management policies and risk assessment standards: the Company has been assessing business risks in accordance with the authority's instructions and rules of the parent company - Mega Holdingss. It has set risk limits on the various types of activities it performs and monitors to ensure that necessary measures are taken for the safety and performance of the Company. Credit review meetings, Risk Management Committee meetings and various other meetings are held regularly to ensure the effectiveness of risk management policies and evaluate strengths and weaknesses of existing risk practices. This enables the Company to flexibly adjust its control measures in line with the changing circumstances.
   (8) Consumer and customer protection: based upon the "Financial Consumer Protection Act" developed by Financial Supervisory Commission and the "Derivative Self-discipline for Bills Finance Companies" developed by Bills Finance Association, the Company has implemented a set of "Bills on Transaction Disputes and Customer Grievance" that outlines the rules the Company is bound to comply with respect to consumers' and customers' interests. The "Bill/Bond Repurchase Master Agreement" has made a comprehensive description of the Company's obligations and claims that consumers and customers are entitled to enforce. An opinion mailbox has been provided on the Company's website while service hotlines are made available as means of contact for consumers and customers.
   (9) Directors and supervisors' liability insurance: coverage has been procured according to policies.
   (10) Social responsibilities: refer to the section titled "Fulfillment of Social Responsibilities."
8. If the company prepares a corporate governance self-assessment report or engages a professional organization to compile a corporate governance assessment report, the results of the self-assessment (or commissioned assessment) report and the major flaws (or suggestions) identified and improvements made thereafter should be explained: none.

(V) Fulfillment of Social Responsibilities

Item	Status		
	Yes	No	Summary description
1. Sound corporate governance (1) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis? (2) Does the company organize social responsibility training on a regular basis? (3) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors? (4) Has the company implemented a reasonable remuneration system that associates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	 V V V	V	1. The Company is a 100%-owned subsidiary of Mega Holdingss; its CSR report is prepared collectively by the parent company on a group level. The Company has not implemented any CSR policy or system, but it conducts daily business activities in accordance with the group's "Corporate Social Responsibilities Policy" and the Company's "Governance Code of Conduct." Some of the initiatives taken by the Company to fulfill corporate social responsibilities include implementing sound corporate governance, complying with laws, providing employees with healthy work environment and reasonable compensation, adopting environmental friendly solutions, and participating in charitable activities. 2. The Company organizes at least 3 internal training sessions per year on a wide range of topics including enhancement of professional skills, regulatory compliance, workplace health and safety, employer's and employees' rights, and corporate responsibilities. 3. All CSR matters are managed by the Company's Administration Department, from corporate governance, human resources, charity activities, environmental policy, to complying with government regulations. 4. The Company's "Work Rules" and "Performance Appraisal Guidelines" have outlined a reasonable compensation scheme, which is communicated to employees via internal meetings and training programs. The Work Rules and Performance Appraisal Guidelines have conformed to the Company's corporate social responsibility policy in terms of employee welfare, performance assessment, reward and discipline, regulatory compliance, work ethics, and business integrity.
2. Fostering a sustainable environment (1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (2) Has the company developed an appropriate environmental management system, given its distinctive characteristics? (3) Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V V V		1. Guided by the parent company's "Corporate Social Responsibility Principles," the Company has pledged itself to obeying regulations and international standards for the protection of natural environment. It aims to achieve the most efficient use of resources and is committed to using reusable materials for the sustainability of Earth's resources. The Company's environmental protection policies were set out to achieve the following: (1) Reduce use of water, electricity and petrol. (2) Replace use of paper with digital process. (3) Make green procurements and use products with environmental certifications. (4) Recycle and dispose waste properly. 2. As a financial service provider, paper accounts for the majority of resources used by the Company and presents the largest impact on the environment. To reduce the volume of paper consumed, the Company has been adopting new practices from electronic forms, paper-less conferences, to reusing paper. Gas, water, electricity and petrol are the main sources of energy used by the Company, for which a variety of volume controls has been imposed on elevators, corridor lighting, air conditioning and water supply during off-peak hours, while company vehicles are subjected to regular maintenance to minimize the impacts they have on the environment. 3. Environmental affairs are managed collectively by the Administration Department and individually at branch level. Each unit is bound to comply strictly with energy policies set forth by their building administrators. In 2014, the Company had cut down electricity usage by 0.24% and fuel usage by 6.96%.
3. Enforcement of public welfare (1). Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights? (2). Does the company have means through which employees may raise complaints? Are employee complaints being handled properly? (3). Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues? (4). Does the company have means to communicate with employees on a	V V V V		1. Compliance with labor laws and internationally-recognized workers' rights; the measures and procedures adopted to protect employees' legal rights and to ensure equality in employment; and how these measures are implemented: (1). Reasonable compensation and bonus scheme for employees. (2). Employee training programs. (3). Insurance and leave policy. (4). Pension contributions. (5). The Company makes no gender distinctions when hiring staff, and is committed to ensuring equal employment opportunities for both genders. The Company hires disabled persons in compliance with law, and has implemented internal policies to facilitate sexual harassment complaints and investigations. 2. The Company's "Bills on Employee Suggestions and Complaints" has outlined the appropriate procedures for making complaints, the confidentiality measures in place to protect employees from retaliation, and the scope and subjects against which complaints or suggestions can be raised.

Item	Status		
	Yes	No	Summary description
regular basis, and inform them of operational changes that may be of significant impact? (5). Has the company implemented an effective training program that helps employees develop skills over their career? (6). Has the company implemented consumer protection and grievance policies concerning its research, development, procurement, production, operating and service activities? (7). Has the company complied with laws and international standards concerning the marketing and labeling of products and services? (8). Does the company evaluate suppliers' environmental and social conducts before commencing business relationships? (9). Is the company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?	(5) V (6) V (7) V (8) V	(9) V	3. The following initiatives have been taken to ensure workplace health and safety: (1). Annual employee health checks. (2). Implementation of "Bills on Prevention of Sexual Harassment" as a complaint channel and a means to maintain order in the workplace. (3). Accidental insurance and health insurance for employees and family members. (4). Implementation of safety protocols and emergency responses, which are rehearsed on a yearly basis and revised in regular meetings. 4. Presence of a communication channel between the company and its employees, and the means through which employees are notified of material changes in the company's operations: (1). The Company communicates regularly with its employees through daily/weekly/monthly meetings and reporting sessions, during which the senior management exchanges opinions with unit managers and staff about where the Company is progressing. Proceedings of these meetings are recorded in the BILLS system to serve as reference for future decisions. (2). Any changes of internal policy, employment terms or organization that are material to employees' interests will be discussed during employer-employee meetings and implemented with consensus from both sides. Details of such meetings are also recorded in the BILLS system. (3). Furthermore, the Company has established "Bills on Employee Suggestions and Complaints" to introduce broader means of communication. 5. The Company's "Work Rules" and "Staff Promotion Review Principles" provide detailed job descriptions, skill criteria, education, promotion opportunities, and other information relevant to employees' career development. 6. Based upon Article 13 of the "Financial Consumer Protection Act" developed by Financial Supervisory Commission and Article 15 of "Derivative Self-discipline for Bills Finance Companies" by Bills Finance Association, the Company has implemented a set of "Bills on Transaction Disputes and Customer Grievance" that outlines the rules the Company is bound to comply with respect to consumers' and customers' interests. The "Bill/Bond Repurchase Master Agreement" has made a comprehensive description of the Company's obligations and claims that consumers and customers are entitled to enforce. An opinion mailbox has been provided on the Company's website while service hotlines are made available as means of contact for consumers and customers. All complaints are handled by the Company's Administration Department. 7. All marketing, labeling, advertising, solicitation, and promotional activities relating to products and services are conducted in accordance with "Regulation Governing Advertising, Business Solicitation and Promotion" and in conformity with common ethical standards and integrity. 8. The Company requires all renovation works to be carried out using materials and construction methods that comply with the latest environmental standards, and that all office equipment must be certified by the Environmental Protection Administration. For all future procurement of office equipment and supplies, the Company will continue monitoring suppliers' commitment to environmental protection. 9. The Company follows the practices of its parent company by demanding all contractors to sign a "Declaration of Corporate Social Responsibility" as a commitment to: (1) Comply with labor regulations and globally recognized workers' rights, and to protect employees' rightful interests without discrimination in terms of gender, race, age, marital and family status. (2) Implement and strictly enforce workplace health and safety policies. (3) Prohibit use of child labor (under 16 years of age) and forced labor of any kind. (4) Adopt energy-saving solutions while continually improve and innovate to minimize impacts on the environment. (5) Comply with minimum legal requirements on waste disposal, handling of hazardous materials, and discharge of waste. However, none of the supply agreements entitles the Company to terminate supply arrangements if the supplier is found to have violated the Company's Corporate Social Responsibilities Policy that causes significant impacts against the environment or the society.

Item	Status		
	Yes	No	Summary description
			10. Involvements in community development and charitable activities: (1). The Company has collaborated with several universities to offer internships for students. (2). Financially sponsored Mega Charity Foundation. (3). Supported the cultural and creativity industry by sponsoring the screening of Li-Chou Yang's documentary film - "The Long Goodbye." (4). Operated a booth during the "2014 Financial Career Exhibition" organized by the government, in an attempt to bring the public closer to the financial industry and build up the Company's images. (5). Sponsored the parent company in co-arranging the "2014 Master Forum" with Economic Daily News. Chief Analyst Dong Tao of Credit Suisse and JPY expert Eisuke Sakakibara were both invited to speak during the forum. (6). Donated to Kaohsiung City Government as a relief for victims of Kaohsiung gas explosion incident. (7). Sponsored Chia Hsin Arts and Cultural Association in organizing the "2014 Food, Health and Energy" event, which promoted Miaoli as a city of health and rich agricultural produce. (8). Sponsored Yunhsiang Workshop in organizing its "2014 International Music Festival," creating an opportunity for young musicians to interact with world-renowned masters. (9). Sponsored Nantou County Government in organizing 2014 Taiwan Lantern Festival. (10). Joined peer financial service providers in the "2014 Community Care Carnival" organized by Changhua County Government and New Taipei City Government.
4. Enhanced information disclosure Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		The Company's social responsibility activities are disclosed in annual reports and on the Company's website.
5. If the company has established code of conducts in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None			
6. Other information relevant to the understanding of corporate social responsibilities: None			
7. Describe the criteria undertaken by any institution to certify the company's CSR report: None			

(VI) Fulfillment of Ethical Corporate Management

Assessment criteria	Actual governance		
	Yes	No	Summary description
1. Formulate integrity policies and solutions (1) Has the company stated in its Articles of Incorporations or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment? (2) Does the company have any policies against dishonest conducts? Are these policies enforced by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? (3) Has the company taken steps to prevent occurrences listed in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" or business conducts that are prone to integrity risks?	V V V		1. The Company and based its business philosophy upon "integrity, pragmatism, service, efficiency, innovation and growth." It adopts principles of the parent company's "Integrity Manual" and places integrity ahead of all business strategies. Meanwhile, the Company implements sound corporate governance and risk management practices to create a sustainable business environment. 2. According to the Work Rules, employees who are found to have violated laws or committed acts of fraud, embezzlement etc. will be subject to disciplinary actions such as warning, demotion or involuntary dismissal; misconducts may even be referred to the justice system if they involve criminal liabilities. "Bills on Employee Suggestions and Complaints" have clearly outlined the scope and procedures through which employees may raise their complaints. 3. According to the Work Rules and parent company's "Integrity Manual," directors, managers and employees are prohibited from accepting treatments, gifts, kickbacks or illegal benefits of any kind in relation to their duties and neither are they permitted to exploit their authorities for personal gains or gains of others, or to engage in private financial arrangements with customers or the Company.
2. Fulfillment of Ethical Corporate Management (1) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (2) Does the company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis? (3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests? (4) Has the company implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis? (5) Does the company organize internal or external training on a regular basis to maintain business integrity?	V V V V V		1. All daily business activities are carried out in a fair and transparent manner. The Company checks credit records such as returned cheque history to avoid dealing with less-credible counterparties; furthermore, the Company may terminate agreements at any time if a counterpart is found to have been involved in dishonest behaviors. 2. The Company has taken steps to improve corporate governance by developing compliance systems, internal controls, audit practices and risk management measures, and by enhancing board of directors' functionalities, supervisors' authorities, information transparency, and dedication to stakeholder interests. 3. The Company has developed a compliance system based on "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" to institute business integrity. Meanwhile, directors, supervisors, managers and employees are encouraged to raise suggestions regarding conducts of integrity. 4. The Company has developed its accounting system based on the authority's policies, and prepared financial reports in accordance with generally accepted accounting principles and Financial Statement Preparation for Public Listed Bills Finance Companies. No secret accounts are kept outside of those reported in the financial statements. For proper internal control, the Company has explicitly required cash disbursements and bookkeeping activities to be performed by different persons, whereas trading and settlement responsibilities need to be clearly separated. To reduce chances of dishonest behaviors in high-risk activities, the Company's "Leave Policy" requires all employees to take a leave of absence for at least three consecutive days in a year, while internal auditors have been assigned to perform regular audits on employees' compliance with the above requirement. 5. Courses on regulatory compliance, internal control and business integrity have been included as part of the training program.

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Actual governance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>3. Reporting of malpractice
(1) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?
(2) Has the company implemented any standard procedures or confidentiality measures for handling reported malpractices?
(3) Does the company assure malpractice reporters that they will not be mistreated for making such reports?</td><td>V
V
V</td><td></td><td>1. The Company's "Bills on Employee Suggestions and Complaints" has outlined the appropriate procedures for making complaints, the confidentiality measures in place to protect employees from retaliation, and the scope and subjects against which complaints or suggestions can be raised. Employees may raise suggestions and complaints verbally or in writing, telephone, email or other appropriate means to the head of Administration Department or any trusted manager.
2. Bills on Employee Suggestions and Complaints has clearly outlined the scope of which suggestions and complaints can be made, including but not limited to: business development, lack of management, operational defects, regulatory or policy violations, fraud, corruption, bribery, blackmailing, mistreatment, health and safety issues, concealment or misstatement of facts etc. Suggestions and complaints are reported to the President immediately upon knowledge, and are handled by specialized personnel. All parties are required to maintain secrecy and ensure timely processing of the complaints they receive.
3. Suggestions and complaints are subject to independent investigation, and are handled in a fair manner according to laws and the Company's policies. In the event that a complaint leads to the discovery of inappropriate or illegal conducts, the Company will impose disciplinary actions, and legal actions if applicable, against those who are responsible. In the meantime, the identity of the informer will be kept secret.</td></tr>
<tr><td>4. Enhanced information disclosure
Has the company disclosed its integrity principles and progress onto its website and MOPS?</td><td>V</td><td></td><td>The Company's integrity activities are disclosed in annual reports and on the Company's website.</td></tr>
<tr><td colspan="4">5. If the company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: N/A</td></tr>
<tr><td colspan="4">6. Other information relevant to understanding the company's business integrity (e.g. revision of business integrity principles): N/A</td></tr>
</table>

(VII) State of the internal control system to be disclosed:

1. Internal Control Declaration

Internal Control Declaration of Mega Bills Finance Co., Ltd.

Representing the declaration by Mega Bills, the Company, from January 1, 2014 to December 31, 2014 has truly abided by the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”. The company has established an internal control system, implementeded risk management, and undertook inspection by an impartial and independent audit department, periodically reporting to the Board of Directors and supervisors. While conducting bills business, and in accordance with the determinants of effectiveness of internal control systems stipulated in the “Standards for Establishment of Internal Control Systems in Securitiesand Future Systems”, drafted and decreed by the Securities and Futures Bureau under the Financial Supervisory Commission, determined whether the design and implementation of the internal control system were effective. Careful evaluation has shown that each department’s internal control and legal and regulatory compliance, apart from the items listed in the accompanying chart, can all be accurately and effectively enforced. This Declaration will constitute the main content of the Company’s annual report and prospectus, and will be open to external scrutiny. The illegal inclusion of falsehoods or the illegal concealment of information in the above public data, will incur legal liability in relation to Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

Respectful to

Financial Supervisory Commission, Executive Yuan

Declarers

Chairman of the Board:	Chii-Bang Wang	(Signature)
President and CEO:	Chi-Fu Lin	(Signature)
General Auditor:	Yi-Sheng Wang	(Signature)
Legal Compliance Officer, Head Office:	Ching-Wen Wu	(Signature)

Date: January 30, 2015

Required Internal Control System Improvement and Corrective Action Plan of Mega Bills Finance Co., Ltd.

Date: December 31, 2014

Required Improvement	Corrective Action	When Improvement Scheduled to be Completed
N/A		

2. Disclosure of the audit report where a CPA has been entrusted to audit the Company’s internal control system: N/A

(VIII) Penalties imposed against the company in the last 2 years due to regulatory violations, and any improvements made thereafter:

1. Prosecution against company representatives or staff for criminal conducts: none.
2. Fines imposed by Financial Supervisory Commission (FSC) for violations: none.
3. Penalties imposed by FSC in accordance with Article 51 of Act Governing Bills Finance Business and Article 61-1 of the Banking Act: none.
4. Disclosure of losses exceeding NT$50 million incurred during the year, whether in one event or aggregately over several events, as a result of extraordinary non-recurring incidents (such as fraud, theft, embezzlement, fictitious transactions, forgery of documents and securities, kickbacks, natural disasters, external forces, hackers’ attacks, theft and leakage of confidential information, disclosure of customers’ details or other material occurrences), or accidents arising due to failure on safety measures: none.
5. Other disclosures mandated by FSC: none.

(IX) Significant resolutions made in shareholder meetings and board of directors meetings in the last financial year, up to the publication date of this annual report

1. Resolutions passed during the 30th meeting of the 13th board of directors held on April 22, 2014:
   Year-end closure and earnings appropriation for 2013, which comprised of dividends totaling NT$1,752,085,288 (NT$1.336 per share) and employees' bonuses amounting to NT$59,974,226; to be paid entirely in cash. This resolution was later acknowledged on behalf of shareholders during the 32nd meeting of the 13th board of directors held on May 28, 2014; the ex-dividend date and bonus payment date was set at June 9, 2014.
2. Resolutions passed during the 29th meeting of the 13th board of directors held on March 25, 2014:
   Removal of restrictions imposed against the Company's directors for involving in competing businesses.
3. Resolutions passed during the 40th meeting of the 13th board of directors held on December 23, 2014:
   Amended "Mega Bills Finance Co., Ltd. Articles of Incorporation."

(X) Documented opinions or declarations made by directors or supervisors against the board's resolutions in the most recent year up till the publication date of this annual report: none.

(XI) Summarization of resignation, discharge and appointment of persons related to financial report (including the Chairman of Board, President and CEO, chief accountants and chief internal auditors, et al.) in the most recent year and until the date of publication of this annual report:

Job Title	Name	Date of Appointment	Date Discharged	Cause of Resignation or Discharge
Chairman	Darby Liu	2012.09.26	2014.05.28	To assume Chairman role at Mega Securities
Chairman	Chii-Bang Wang	2014.05.28	2015.03.02	Expiry of service term

V. Information about professional fees paid to CPA:

Name of accounting firm	CPA's Name		Audit period	Remarks
PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou	Po-Ju Kuo	2014/1/1 - 2014/12/31	

Unit: NT$ thousands

Range \ Fee category		Audit remuneration	Non-Audit Fees	Total
1	Below NT$ 2,000,000	1,266	-	1,266
2	NT$2,000,000 ~ NT$4,000,000			
3	NT$4,000,000~ NT$6,000,000			
4	NT$6,000,000 ~ NT$8,000,000			
5	NT$8,000,000 ~ NT$10,000,000			
6	NT$10,000,000 and above			

(I) Non-audit remuneration to external auditors, accounting firms and related businesses that amount to one-quarter or higher of audit remuneration: none.

(II) Any replacement of accounting firm and reduction in audit remuneration paid compared with the previous year: none.

(III) Any reduction in audit remuneration by more than 15% compared with the previous year: none.

VI. Information about change of CPA:

(I) About former CPA:

<table>
<tr><td>Date of Change</td><td colspan="3">Ratified at Board Meeting on February 26, 2013</td></tr>
<tr><td>Cause of Change and Explanation Thereof</td><td colspan="3">Following a reorganization within PriceWaterhouseCoopers Taiwan, the Company's financial statements have been audited by Chien-Hung Chou, CPA and Hsiu-Ling Li, CPA since 2013, instead of Chien-Hung Chou, CPA and Po-Ju Kuo, CPA.</td></tr>
<tr><td rowspan="3">Was the termination of audit services initiated by the client or by the auditor</td><td>Principals
Situation</td><td>Auditor</td><td>Principal</td></tr>
<tr><td>Service terminated by</td><td>Chien-Hung Chou, Hsiou-Ling Li</td><td></td></tr>
<tr><td>Service no longer accepted (continued) by</td><td></td><td></td></tr>
<tr><td>Reasons for issuing opinions other than unqualified opinions in the recent 2 years</td><td colspan="3">N/A</td></tr>
<tr><td rowspan="7">Disagreements with the Company</td><td rowspan="5">Yes</td><td></td><td>Accounting policy or practice</td></tr>
<tr><td></td><td>Financial statement disclosure</td></tr>
<tr><td></td><td>Audit coverage or procedures</td></tr>
<tr><td></td><td>Others</td></tr>
<tr><td></td><td></td></tr>
<tr><td>None</td><td colspan="2">∨</td></tr>
<tr><td colspan="3">Description</td></tr>
<tr><td>Other disclosures (Disclosures deemed necessary under Section 10.5.1.4 of The Guidelines)</td><td colspan="3">N/A</td></tr>
</table>

(II) About new CPA:

Firm Name	PricewaterhouseCoopers, Certified Public Accountants
Name of auditor	Chien-Hung Chou, CPA, Po-Ju Kuo, CPA
Date of Appointment	Passed during the board of directors meeting held on February 26, 2013
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	N/A
Written disagreements from the succeeding auditor against opinions of the former auditor	N/A

(III) Former CPA's response to the application of Section 10.5.1 and 10.5.2.3 of the Guidelines: N/A.

VII. Any of the company's Chairman, President, or accounting/finance managers employed by the auditing firm or any of its affiliated business in the recent year; disclose their names, job titles, and duration of employment at auditing firm or any of its affiliated company: none.

VIII. Transfer or pledge of shares by directors, supervisors or managers in the last year up till the publication date of this annual report that is subject to reporting under Article 10 of Act Governing Bills Finance Business: none.

IX. Relationships characterized as spouse or second degree relatives or closer among top-ten shareholders: none.

X. Investments jointly held by the company, the company's directors, supervisors, president, vice presidents, assistant vice presidents, department heads, branch managers, and directly/indirectly controlled entities:

December 31, 2014; unit: shares; %

Investee	The Company		Directors, supervisors, President and CEO, senior executive vice presidents, executive vice presidents and heads of departments and branches and the business directly or indirectly controlled by the Company		Combined Investment	
	Quantity	Shareholding	Quantity	Shareholding	Quantity	Shareholding
Core Pacific City Corporation	60,000,000	3.361	-	-	60,000,000	3.361
Taiwan Financial Asset Services Co., Ltd.	5,000,000	2.941	-	-	5,000,000	2.941
Taiwan Depository and Clearing Co., Ltd.	2,107,140	0.628	-	-	2,107,140	0.628
Taiwan Asset Management Co., Ltd.	7,500,000	0.568	-	-	7,500,000	0.568
Taiwan Futures Exchange Co., Ltd.	1,485,437	0.512	-	-	1,485,437	0.512
Agora Garden Co., Ltd.	21,090	0.030	-	-	21,090	0.030

Review of Raised Funds

One. Information on capitals and shares:

I. Source of capital stock as the publication date of annual report

Unit: NTD thousands; shares

Year / month	Issue price	Authorized capital		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Source of share capital	Others
2015.3	10	1,311,441,084	13,114,410,840	1,311,441,084	13,114,410,840	Public offering	-

Unit: shares

Category of Shares	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	1,311,441,084	0	1,311,441,084	Publicly offered Not listed on TWSE or GTSM

II. Shareholder structure

March 31, 2015

Shareholder Structure / Quantity	Government	Financial institutions	Other corporations	Natural persons	Foreign institutions and foreigners	Total
Number of person	0	1	0	0	0	1
Shares held (shares)	0	1,311,441,084	0	0	0	1,311,441,084
Shareholding	0	100%	0	0	0	100%

III. Diversification of Shareholdings

Face value: $10 per share; as March 31, 2015

Shareholding range	Number of shareholders	Quantity of Shares Held	Shareholding
1 to 1,000,000	-	-	-
1,000,001 and above	1	1,311,441,084 shares	100%
Total	1	1,311,441,084 shares	100%

IV. Roster of Major Shareholder

Name of Major Shareholder \ Shares	Quantity of Shares Held	Shareholding
Mega Financial Holding Co., Ltd.	1,311,441,084 shares	100%

V. Market value, net value, earnings, and stock dividend, and other related data for the most recent two years

Item \ Year			2014	2013	Year-to-date March 31, 2015
Market value per share	Maximum		-	-	-
	Minimum		-	-	-
	Average		-	-	-
Net value per share	Before allocation		25.27	24.49	25.78
	After allocation		Note	23.15	-
EPS	Weighted average outstanding shares		1,311,441,084	1,311,441,084	1,311,441,084
	EPS		2.29	2.01	0.62
Dividend per share	Cash dividend		1.581 (Note)	1.336	-
	Stock dividend	From earnings	-	-	-
		From capital surplus	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of ROI	P/E ratio		-	-	-
	Price to dividends ratio		-	-	-
	Cash dividend yield		-	-	-

Note: as of the publication date of this annual report, the 2014 earnings appropriation had been passed by the board of directors and was pending for shareholders' resolution, which the board of directors will exercise decision-making authority on behalf.

VI. Dividend policy and implementation

(I) Dividend policies stated in the Company's Articles of Incorporation

Dividends should be distributed in cash, but the percentage of which may be adjusted depending on business development, capital plans and other relevant factors.

(II) Dividend distribution proposed for the next annual general meeting

Mega Financial Holding is the sole shareholder of the Company, to which dividends totaling NT$2,073,388,354 or NT$1.581 per share have been proposed, and are distributable in cash.

VII. Impact on the Company’s business performance and EPS by the allocation of stock dividend discussed at this shareholders’ meeting: N/A.

VIII. Employee bonus and remuneration to directors/supervisors

(I) Employees' bonus and directors/supervisors' remuneration policies stated in the Articles of Incorporation

1. Employees' bonus

Earnings concluded after the closure of each financial year are first subject to taxation and reimbursement of previous losses, followed by provisions for statutory reserves and special reserves. Any residual earnings (including reversible special reserves) shall have 3% to 5% paid as employees' bonus; the remaining amount will be added to undistributed earnings carried over from previous years and distributed at the board of directors' discretion, subject to resolution during a shareholder meeting.

The board of directors decides the percentage of employee bonus, and payments will be made once the earnings appropriation proposal is passed during a shareholder meeting.

2. Directors and supervisors' remuneration: none.

(II) Basis for estimating employees' bonus, directors'/supervisors' remuneration and stock bonus, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid

1. Basis for estimating employees' bonus, directors/supervisors' remuneration and stock bonus.

The Company had estimated employees' bonus at $93,226,604 for 2014 based on the amount of after-tax profit accrued by year-end, net of statutory reserves, and multiplied with percentages stated in the Articles of Incorporation. The Company did not propose any stock bonus or directors/supervisors' remuneration in 2014.

2. Accounting treatments for discrepancies between the amounts estimated and the amounts paid.

Any material changes in the amount proposed by the board of directors will be recognized in the current year (the year in which employees' bonus is recognized as an expense). If a different amount is resolved during next year's shareholder meeting, the discrepancy will be treated as a change of accounting estimate and recognized as gains or losses of the next year.

(III) Employees' bonus proposal passed by the board of directors

1. Amounts to be distributed as employees' cash/stock bonus and directors'/supervisors' remuneration.

According to resolutions made during the 2nd meeting of the 14th board of directors on March 24, 2015, a sum of NT$64,321,598 will be paid in cash as 2014 employees' bonus. Meanwhile, there will be no distribution of stock bonus or directors/supervisors' remuneration. The NT$64,321,598 that the board had decided to pay as 2014 employee bonus was different from the NT$93,226,604 estimated and recognized in the 2014 financial statements, by a discrepancy of NT$28,905,006. This change of bonus estimates has been adjusted to the 2015 profit and loss.

2. Proposed employee stock bonus as a percentage to after-tax profit and total employees' bonus: not applicable.

3. Earnings per share after proposed employee bonus and directors/supervisors' remuneration: employees' bonus had already been recognized as an expense in the 2014 statement of comprehensive income. Earnings per share should be adjusted to NT$2.31 after taking into consideration the differences in

amounts proposed and amounts paid.

(IV) Distribution of employees' bonus and directors'/supervisors' remuneration in the previous year.

1. Distribution of employees' bonus.

According to proxy shareholder resolutions made during the 32nd meeting of the 13th board of directors on May 28, 2014, a sum of NT$59,974,226 was paid in cash as 2013 employees' bonus. The NT$59,974,226 paid as 2013 employee bonus was different from the NT$77,270,844 estimated and recognized in the 2013 financial statements, by a discrepancy of NT$17,296,618. This change of bonus estimates had been adjusted to the 2014 profit and loss.

2. Distribution of directors/supervisors' remuneration: none.

IX. Repurchase of the Company's shares: N/A

Two. Corporate Bond, Preferred Stock, Employee Stock Option, Merger & Acquisition or Assignment to Other Financial Institutions: N/A.

Three. Execution of Funding Utilization Plan: N/A.

Overview of Business Operations

One. Business Scope

I. Main business

(I) Major business activities by segment

1. Bills Business
   (1) Acting as a certifier, underwriter and broker, and proprietary trader in respect of short-term bills (including USD-denominated instruments)
   (2) Acting as a guarantor or endorser of CP2.
2. Bonds Business
   (1) Proprietary trading of government bonds
   (2) Acting as a certifier, underwriter, broker and proprietary trader in respect of bank debentures
   (3) Proprietary trading of corporate bonds
   (4) Proprietary trading and investment of fixed income securities
   (5) Proprietary trading and investment of foreign bonds
3. Equity investment business
4. Others

(II) Each business assets and income as a proportion of total assets and income, and growth and changes therein.

1. Assets

Unit: NT$ thousands

Year / Item	2014		2013	
	Amount	As a proportion of total assets (%)	Amount	As a proportion of total assets (%)
Bills Business	112,865,821	52.18	129,715,513	58.52
Bonds Business	95,811,716	44.29	83,302,117	37.58
Equity investment business	2,338,013	1.08	2,662,009	1.20
Others	5,294,498	2.45	5,963,331	2.70
Total assets	216,310,048	100.00	221,642,970	100.00

2.Revenues Unit: NT$ thousands

Year / Item	2014		2013	
	Amount	As a proportion of total revenue (%)	Amount	As a proportion of total revenue (%)
Bills Business	2,493,492	54.15	2,366,377	49.50
Bonds Business	1,619,371	35.16	1,699,490	35.55
Equity investment business	332,687	7.22	533,423	11.16
Others	159,701	3.47	180,813	3.79
Total Revenue	4,605,251	100.00	4,780,103	100.00

II. Business plan of the year

(I) Bills Business

1. The strategy of credit business has maintained on both quality and quantity. Select blue-chip clients to replace those with high credit risks. Raise the interest rate for bills issuance and lower the interest rate for bills sales. Expand the interest spread and prevent any NPL from occurring. By controlling the volumes of issuance and trading, the Company could maintain its market leader position.
2. Actively participate in organizing underwriting projects and invite banks to co-arrange syndicated loan projects for higher fee income.
3. Continue to observe changes in domestic and overseas financial markets; pay attention to the monetary policy of the Central Bank and the changes in the economy; adjust positions and interest rate strategies as needed; expand the interest spread from bills positions to generate more income; carefully engage in the buy-out and outright sale of bills position to enhance efficiency.
4. Aggressively establish a bilateral business relationship with clients in order to develop stable and low-interest rate fund sources to diversify sources of obtaining funds and lower the interest expenditures; Watch the funding market condition closely and evaluate the possibility to obtain low cost funding through different channels such as interbank call loans, SWAP and Re-Purchase Agreements (RP).
5. Maintain long-term relationships with financial institutions for more diverse funding sources; also negotiate for lower cost of funding and keep up to date the market insights that enable the Company to react to the changing environment.
6. Devote greater efforts in collecting overdue balances, and dispose collaterals when appropriate.

(II) Bonds Business

1. Operate buy-out and outright sale cautiously to enhance operating efficiency.
2. Develop a bond holding position by choosing targets that offer suitable duration and higher yields; adjust position based on credit rating to increase interest revenues.
3. Maintain relationships with existing customers and enhance developing bonds RP customers, adjust customer structures to reduce funding cost and

enlarge yield spread, and pay attention to the dispersion of maturity date to reduce liquidity risk.

4. Purchase convertible bonds with excellent credit ratings and fixed income portion of convertible bond asset swaps (CBAS) for additional income source.
5. Continue working on investing foreign bonds and other new business types to increase diversification and operation of business.

(III) Equity investment Business

Invest in companies characterized by a prospective industry, growing revenues and profits. Select the sectors that could present future potential and good news coming to determine the right timing to invest.

III. Market analysis

(I) Regions of business operation, future supply and demand in market, and the market potential for growth.

1. Regions of business operations

Apart from the Taipei head office, the Company has 8 branches in major cities nationwide to conduct credit, bills and bonds business.

2. Future market supply, demand and growth

(1) Market changes

1) On October 24, 2014, the Financial Supervisory Commission (FSC) issued an official correspondence to the Bills Finance Association (BFA) and Bankers Association (BA) demanding all outstanding contracts that use "NTD benchmark interest rate No. 6165 and 51328" to switch to other benchmarks by the end of the year. Following this announcement, TAIBIR and TAIBOR became the two main benchmarks used in primary and secondary bills market.
2) In August 2014, New Taipei City Government issued the nation's first municipal bill totaling $10 billion, guaranteed by Bank of Taiwan. The issuance adopted Dutch Auction, but the issuance interest rate was a little bit low to conclude deals in the secondary market.
3) On July 18, 2014, the FSC amended its "Regulations governing total balance for bills finance companies to guarantee and endorse for short-term bills", this amendment enabled bill finance companies that have maintained BIS Ratio above 13%, to engage in more guarantee/endorsement activities, up to 5.5 times the Company’s net worth. It gives bills finance companies more flexibility in their asset allocation, and contributes to the liquidity of both the primary and secondary bills markets.
4) On June 26, 2014, FSC made an announcement that gave professional natural-person and corporate investors the access to invest in foreign bonds that were previously available only to institutional investors. This deregulation not only brings more activities into the market, but also gives the Company a broader source through which it may obtain funding from foreign bonds.
5) On March 13, 2014, GreTai Securities Market (GTSM) amended its "Rules Governing the Proprietary Trading of Foreign Bonds by Securities Firms," which gave existing proprietary bond traders the permission to trade foreign bonds. The Company is the first among domestic banks and bills finance companies to be granted by GTSM the permission to engage in the proprietary trading of foreign bonds. With this permission in force, any foreign currency bonds issued outside the Republic of China can be registered with GTSM and

traded with domestic investors, which presents the Company with broader revenue opportunities.

(2) Market conditions

1) Bills market

While fundamentals improve in the United States, Europe and Japan have adopted weak currency and expansionary monetary policies in an attempt to stimulate economic growth, while China undertook to adjust its industry structure and reduce interest rates at the same time. All above factors have contributed to the worldwide economic recovery, for which the Directorate-General of Budget, Accounting and Statistics (DGBAS) had also revised domestic growth forecast upwards to 3.78% for 2015. The expanding global economy may contribute to the growth of the domestic economy, and hence give rise to capital requirements in the market. Meanwhile, the central bank has also been supporting economic growth by maintaining policy interest rate unchanged and target M2 growth unchanged at 2.5% to 6.5% for 2015. The overall bills market should sustain a small growth in the coming year. In light of a recovering economy, the central bank has shifted its monetary policy from "expansionary" to "moderate." Further changes in central bank's monetary policy remain a relevant concern as it affects the market interest rate and the optimal timing to issue, underwrite or acquire bills. Nevertheless, the Company aims to make profit and maintain trading amounts, thus sustaining its market leadership status.

2) Bonds market

While a global recovery remains uncertain, the U.S. Fed has expressed its intention to delay and slow down its future interest rate hikes. This announcement coupled with the collapse of oil prices, moderate inflationary pressure, China's surprising rate cut, and Europe's weak recovery should attract capital into the U.S. in favor of U.S. bonds. In the domestic context, a slow recovery coupled with falling oil prices has postponed the central bank's decision to raise interest rates. Liquidity levels should remain moderate for the time being, with RP interest and bond yields on the low side. The Company will continue to keep RP rates under control by observing economic development and interest rate changes, and secure its market leadership status in terms of bonds trading.

3) Equity investment business

The global financial market may experience greater volatility compared to previous years as investors anticipate further tightening of liquidity from U.S. Fed and continual fall of oil prices. DGBAS has given Taiwan a stable growth forecast for 2015, and the delay of capital gains tax may attract capital back into the market, creating upside potentials until the next presidential election. In the meantime, the Company will build up its equity position with assets that present favorable industry prospects and cash dividend yields.

(II) Competitive advantages, opportunities, threats, and responsive strategies

1. Opportunities

(1) The Competent Authority has completely removed the restriction of the statutory limit ratio on the interbank call loans designated in US currencies. This helps the Company to undertake the business to issue and trade US denominated bills that will increase the source of income.

(2) The Competent authority has permitted bills finance companies to guarantee and endorse for short-term bills", this amendment enabled bill finance companies that have maintained BIS Ratio above 13%, to engage in more guarantee/endorsement activities, up to 5.5 times the Company’s net worth. This helps the Company to increase its balance of guaranteeing CP2 under risk control and increase its bills business income.

(3) As market investors expect US to raise its interest rate sometime in 2015, it is likely for U.S. dollar to strengthen over the coming year, which some customers may respond by borrowing NTD to repay USD debts. This presents potential demands for NTD currency and opportunities to issue CP2 at higher interest rate.

(4) The Competent authority has removed restrictions on the trading of foreign bonds, giving the Company the opportunity to generate more income.

(5) The Company is able to undertake more fixed income portion of convertible bonds which contributes to portfolio diversity and interest spread.

2. Threats

(1) Given that there are increasingly diversified funding sources in the market and continuous penetration to credit business from banks and their striving to lure blue-chip clients, it will likely impact the development of the bills issuance market.

(2) Since February 2014, the central bank has increased the issuance of 364-day NCDs from $100 billion to $120 billion per month, and continued to issue 2-year NCDs (increasing from $10 billion to $20 billion since August 2014) in an attempt to reduce liquidity. During the board meeting held on December 18, 2014, the central bank once again announced its change of monetary policy from "expansionary" to "moderate." The central bank's announcement has resulted in a change of market expectations and affected participants' short-term funding behaviors, causing significant volatility to interest rate movements.

(3) If the USD keeps on strengthening, foreign investors may cash in their gains and pull funds out of the country, while domestic banks and investors are also likely to convert NTD assets into USD, and reduce supply of NTD currency even further.

(4) There remains uncertainty regarding the global recovery in 2015, which is expected to add to the volatility of stock markets and capital markets around the world. Trading of government bonds and equity may prove much more challenging.

3. Responsive strategies

(1). For the primary market, the Company will be paying more frequent visits to customers to gain deeper insight into their operations and credibility. Meanwhile, the Company will seek to widen interest spreads by adding profitable customers into the credit portfolio and adopting more flexible pricing strategies.

(2). Closely observe changes in domestic and foreign financial markets; adjust positions and trading strategies for higher interest spread. Also, operate outright purchase/sales of government bonds cautiously.

(3). On the condition that the bonds have a good credit rating, select ones with proper duration and higher yields. Expand the bonds position according to credit rating in a timely manner and adjust positions based on credit ratings to increase interest income.

(4). Explore new customers for lower cost of funding and, thereby reducing the Company's dependence on high funding cost customers and contribute to higher interest spreads and revenues.

(5). Maintain long-term relationships with financial institutions for more diverse funding sources; also negotiate for lower cost of funding and keep up to date the market insights that enable the Company to react to the changing environment.

(6). Invest in companies characterized by a prospective industry, growing revenues and profits. Select the sectors that could present future potential and good news coming to determine the right timing to invest.

IV. Financial Product Research and Overview of Business Development

(I) Premium financial products and new banking units, their sizes and status of profit for the most recent two years and until the date of publication of this annual report: N/A.

(II) R&D expenditure and results for the most recent two years:

1. R&D expenses

Unit: NT$ thousands

Business activities	R&D expenses	
	2014	2013
Costs of employee participation in various research and training programs	555	544

2. R&D results

(1). 2013

1) Completed the final stage of IFRS adoption.
2) Organized syndicated guarantee-free commercial paper underwriting projects for large-scale enterprises.
3) Promoted RMB bonds business.
4) Commenced proprietary trading of foreign bonds
5) Planned new framework and implementation steps for the Basel III system.
6) Continually enhanced self-assessment system of operational risks and strengthen risk management regarding various business risk categories.
7) Enhanced the existing capital adequacy simulator for more accurate calculation of return on risky assets, which enables greater capital efficiency.

(2). 2014

1) Completed a paperless meeting system and took steps toward developing a paperless report management system.
2) Built a personal data file registry and performed personal data file risk analysis.
3) Continued proprietary trading of foreign bonds..
4) Conducted in-depth studies on the market condition, policies and regulations concerning bills market in China.
5) Planned new framework and implementation steps for the Basel III system.
6) Continually enhanced self-assessment system of operational risks and strengthen risk management regarding various business risk categories.
7) Created an integrated risk management system that collectively monitors risk limits associated with daily business activities, thus building a warning system to prevent risk.

(3). Future R&D plans

1) Continually request for authority's permission to issue CP2 up to 3 years in tenor (Till today, CP2 could only be issued up to 1 year).
2) Request for permission to engage in a broader range of derivatives
3) Request for permission to invest in a broader range of equity instruments.

V. Long-term and short-term business plans

(I) Short-term

1. Concerning the credit business, the Company will put greater focus into risk management and gradually replace new customers with higher interest spread. As for bills business, the Company will aim to widen interest spreads by acquiring low-cost capital and raising higher issuance interest rate, and secure market leadership by maintaining high trading and issuance volumes.
2. Actively invite other banks to co-arrange syndicated loan projects, as well as obtain the underwriting projects to increase fees revenue for bills business.
3. Buy convertible bonds issued by companies with good credit ratings, and fixed income component of CBAS, in order to increase profits.
4. Actively involve in the proprietary trading and investment of foreign bonds. Build positions on foreign bonds and explore new means of funding to achieve lower cost of funding and higher yields at the same time.
5. Expand the size of position on foreign bonds to offer professional investors need and widen interest spread to bring in more profit.
6. Closely observe changes in the global financial market and central bank's monetary policies. Adjust positions and interest rate strategies to achieve greater bond yields. Also, operate outright purchase/sales of government bonds cautiously to enhance efficiency.
7. Aggressively establish a bilateral business relationship with clients in order to develop stable and low-interest rate fund sources to diversify sources of obtaining funds and lower the interest expenditures; Watch the funding market condition closely and evaluate the possibility to obtain low cost funding through different channels such as interbank call loans, SWAP and Re-Purchase Agreements (RP).
8. Make use of interest rate derivatives to hedge bond exposures.
9. Devote greater efforts in claiming receivables with recourse and dispose of collaterals to increase recoverable amounts of overdue receivables.
10. Monitor the business performance of the investment objectives and changes on the technical movements of stock prices. Operate investment objectives with shorter duration in a flexible way to make some profit.
11. Continually strengthen the Company's information systems and operating efficiency. Develop automated reporting, data warehousing and standardized accounting platforms that help raise efficiency of back-end operations such as credit investigation, credit business, and credit review.
12. Promote the use of paperless meeting system and take steps toward developing a paperless report management system. Save the Earth's resources consumption and thereby fulfill the Company's corporate social responsibilities.

(II) Long-term

1. Strengthen the position as market leader of the bills and bonds business.
2. Improve internal procedures for greater operating efficiency.
3. Continue to build and adjust proper bonds position, expand the business

scale of RP, and operate derivatives to maintain stable profitability.

4. Enhance operation efficiency by reducing cost of funding and expanding interest spread.
5. Build up equity positions on companies with strong fundamentals and prospects.
6. Make efficient allocation of capital; strengthen existing risk management and systems.
7. Deal with the Competent Authority for its approval to open up new business though the bills finance association.
8. Seek approval from the Competent Authority to set up sales offices in Mainland China.
9. To integrate the group resources and explore the synergy of cross-selling.
10. Work with Mega Financial Holding Company to integrate the information system and share information services.
11. Enhance employee training and enable managerial talents to grow with challenges.

Two. Employee Data for the Most Recent Two Years and Cut-off Date of Publication for this Annual Report

March 31, 2015

Year		2013	2014	Up till March 31, 2015
Number of employees	Staff	181	182	183
	Interns	43	41	45
	Total	224	223	228
Average age		42.40	42.49	42.22
Average length of service		14.66	14.81	14.67
Educational background distribution	PhD	2	2	2
	Master	75	76	75
	Bachelor	140	139	145
	Senior high school	7	6	6
	Below senior high school	0	0	0
Professional certifications and licenses owned by the employees	Bill Finance Specialist	174	172	172
	Securities Investment Analyst	7	7	7
	Senior Securities Specialist	130	132	133
	Securities Specialist	70	72	72
	Securities Investment Trust and Consulting Professional	82	81	82
	Trust Operations Personnel	108	108	109
	Futures Specialist	79	76	77
	Life Insurance Specialist	129	129	129
	Property Insurance Specialist	120	122	122
	Bank Internal Control Specialist	99	98	99
	Financial Planning Personnel	70	71	72
	Basic Foreign Exchange Personnel	6	6	7
	Basic Bank Lending Personnel	34	34	34
	Advanced Bank Lending Personnel	6	6	6

Three. Corporate Responsibility and Ethical Conduct

Please refer to pages 21 and 22 of the Corporate Governance Report, titled "Fulfillment of Social Responsibilities" and "Fulfillment of Ethical Corporate Management".

Four. Computer equipment

I. Computer system hardware and software configuration and maintenance

System	Business	Platform	Development	Maintenance
MIS	NTD and foreign currency bills exchange, NTD and foreign currency bonds, credit investigation, credit extension, financial accounting, personnel, fixed assets, and risk management	RS/6000	Self-developed	Self-maintained
Correspondents	Inter-bank payments	IBM	Outsourced	Self-maintained
Notes	Email, bulletin boards, e-Form	Notes/WINDOWS	Self-developed	Self-maintained

II. Emergency contingency and security protection measures

The Company completed the establishment of the Linkou Information Facility Remote Replication Center in 2007, and will deal with the Company's application system server IBMRS/6000 update program at the same time to update the computer equipment of the recovery center at different location. The Company is dedicated to carrying out data recovery drills every year, in order to reduce information operating risk and protect customer trading safety and move towards sustainable management.

III. Future development or purchase plans

(I) Build the Company's paperless report management system.

(II) Replace redundant network equipment.

(III) Replace redundant PCs.

(IV) Purchase PC-end protection system

Five. Labor Relations

I. Employee welfare measures:

Welfare committee, employee bonuses, health examinations, employees' tour reimbursement, and so on.

II. Retirement system and its implementation:

Handled in accordance with the Company's retirement regulations, applying the provisions either more favorable than those of the Labor Standard Law, in line with those of the Labor Standard Law, or in line with those of the Labor Retirement Pension Act.

III. Agreement between employer and labors:

Subject to the Labor Standard Law and the Company's work rules.

IV. Measures to protect employees' interests and rights:

Subject to the Labor Standard Law and the Company's work rules.

V. Loss caused by labor dispute in the most recent year and until the date of publication of this annual report: N/A.

Six. Major contracts: N/A.

Financial Statements

One. Condensed balance sheets and income statements for the last five years

I. Condensed balance sheets and income statements

Condensed balance sheets Unit: NT$ thousands

Item \ Year		Financial information for the last 2 years: 2014	2013
Cash and cash equivalent, central bank deposits, interbank call loans		444,266	544,617
Financial assets at fair value through profit and loss		117,026,616	133,085,711
Available-for-sale financial assets		83,333,880	80,127,802
Bills and bonds purchased under resale agreements		9,805,054	1,966,157
Receivables - net		1,004,365	1,072,383
Held-to-maturity financial assets		850,000	500,000
Other financial assets - net		802,252	1,303,700
Property, plant and equipment - net		370,378	362,205
Investment properties - net		2,549,752	2,560,415
Intangible assets - net		2,886	3,303
Deferred income tax assets - net		95,088	89,030
Other assets		25,511	27,647
Total assets		216,310,048	221,642,970
Interbank overdraft and call loans		15,926,613	21,259,000
Financial liabilities at fair value through profit and loss		411	1,352
Bills and bonds payable under repurchase agreements		163,777,891	163,869,633
Payables		502,801	809,067
Current income tax liabilities		74,713	124,310
Liabilities reserve		2,774,969	3,282,308
Deferred income tax liabilities		790	62
Other liabilities		116,541	179,726
Total liabilities	Before allocation	183,174,729	189,525,458
	After allocation	Note	191,277,543
Capital stock	Before allocation	13,114,411	13,114,411
	After allocation	Note	13,114,411
Capital surplus		320,929	320,929

Retained earnings	Before allocation	18,597,142	17,386,645
	After allocation	Note	15,634,560
Other equity		1,102,837	1,259,527
Total equity	Before allocation	33,135,319	32,117,512
	After allocation	Note	30,365,427

Note: Until the date of publication of this annual report, the motion for allocation of earnings for the year 2014 had been adopted by the Board of Directors but had not yet approved by the Board of Directors acting on behalf of the shareholders meeting.

Condensed income statements Unit: NT$ thousands

Item \ Year	Financial information for the last 2 years	
	2014	2013
Interest Income	2,791,448	2,837,819
Less: Interest Expense	(980,992)	(1,058,294)
Interest income, net	1,810,456	1,779,525
Revenue other than interest income, net	1,736,249	1,872,669
Gross profit	3,546,705	3,652,194
Provisions	660,965	177,739
Operating expenses	(780,358)	(775,732)
Income before Income Tax from Operating Unit	3,427,312	3,054,201
Income tax (expense) gain	(426,465)	(423,718)
Net Income Tax from Operating Unit	3,000,847	2,630,483
Income (loss) from discontinued operations	-	-
Net Income (loss)	3,000,847	2,630,483
Other comprehensive income for the current period (net of tax expense)	(230,955)	(1,220,140)
Comprehensive Income for the current period	2,769,892	1,410,343
EPS	2.29	2.01

II. Condensed balance sheets and income statements-R.O.C. GAAP

Condensed balance sheets　　Unit: NT$ thousands

Item \ Year		Financial information 2010 - 2012		
		2012	2011	2010
Cash and cash equivalent, central bank deposits, interbank call loans		367,174	601,915	736,833
Financial assets at fair value through profit or loss		129,072,587	135,756,870	112,685,775
Bills and bonds purchased under resale agreements		-	-	529,800
Available-for-sale financial assets		81,883,882	83,240,989	91,189,051
Receivables		1,261,152	1,833,166	2,101,018
Held-to-maturity financial assets		500,000	250,000	250,000
Fixed assets		2,918,234	2,928,881	2,945,800
Intangible assets		4,750	1,096	309
Other financial assets		1,299,398	822,684	693,381
Other assets		110,397	47,010	55,134
Total assets		217,417,574	225,482,611	211,187,101
Interbank overdraft and call loans		20,861,000	3,416,000	3,897,000
Financial liabilities at fair value through profit or loss		3,154	-	10,130
Bills and bonds payable under repurchase agreements		159,376,775	184,993,275	170,163,470
Payables		1,000,645	1,257,098	1,243,823
Other liabilities		3,356,926	3,221,063	3,337,357
Total liabilities	Before allocation	184,598,500	192,887,436	178,651,780
	After allocation	186,615,496	194,765,419	180,553,370
Capital stock	Before allocation	13,114,411	13,114,411	13,114,411
	After allocation	13,114,411	13,114,411	13,114,411
Capital surplus		312,823	312,823	312,823
Retained earnings	Before allocation	16,900,777	15,897,794	14,917,082
	After allocation	14,883,781	14,019,811	13,015,492
Unrealized gain or loss on financial products		2,567,813	3,327,430	4,191,005
Other equities		-76,750	-57,283	-
Total stockholders' equity	Before allocation	32,819,074	32,595,175	32,535,321
	After allocation	30,802,078	30,717,192	30,633,731

Condensed income statements Unit: NT$ thousands

Year / Item	Financial information 2010 - 2012		
	2012	2011	2010
Interest income, net	1,989,274	2,407,627	2,838,161
Revenue other than interest income, net	2,282,614	1,599,847	1,426,187
Provisions	126,379	89,757	345,695
Operating expenses	796,950	779,614	763,003
Income before income tax from continuing operations	3,348,559	3,138,103	3,155,650
Income after income tax from continuing operations	2,880,966	2,682,302	2,654,897
Income (loss) from discontinued operations	-	-	-
Extraordinary income (loss) (net of tax expense)	-	-	-
Cumulative effect of changes in accounting principles (net of tax expense)	-	-	-
Net income	2,880,966	2,682,302	2,654,897
EPS	2.20	2.05	2.02

III. Independent Auditor's Names and Opinion

Year	Name of accounting firm	Name of auditor	Audit opinion
2014	PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou, CPA, Po-Ju Kuo, CPA	Unqualified opinion
2013	PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou, CPA, Po-Ju Kuo, CPA	Unqualified opinion
2012	PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou, CPA, and Hsiu-Ling Li, CPA	Unqualified opinion
2011	PricewaterhouseCoopers, Certified Public Accountants	Chang-Chou Li, CPA and Hsiu-Ling Li, CPA	Unqualified opinion
2010	PricewaterhouseCoopers, Certified Public Accountants	Chang-Chou Li, CPA and Hsiu-Ling Li, CPA	Unqualified opinion

Two. Financial information for the recent five years

I. Financial Analysis - International Financial Reporting Standards

Unit: NT$ thousands; %

Item \ Year		Financial analysis for the last 2 years	
		2014	2013
Managerial ability	Average number of days of bill and bond holding	4.92	5.54
	NPL ratio	0	0
	Total assets turnover rate	0.02	0.02
	Average yield per employee	15,905	16,304
	Average profit per employee	13,457	11,743
Profitability	ROA (%)	1.37	1.20
	ROE (%)	9.20	8.11
	Net profit margin (%)	84.61	72.02
	EPS (NT$)	2.29	2.01
Financial structure	Liability to total assets ratio (%)	83.57	84.17
	Property and equipment to stockholder equity ratio (%)	1.12	1.13
Growth rate	Asset growth rate (%)	-2.41	1.89
	Profit growth rate (%)	12.22	-9.02
Cash flow	Cash flow ratio (%)	3.89	0.96
	Cash flow adequacy ratio (%)	154.37	156.92
Credit extended to stakeholders		520,000	0
Percentage of credits extended to stakeholders (%)		0.36	0
Scale of operations	Asset market share (%)	26.48	26.77
	Net value market share (%)	29.60	29.58
	Market share for guaranteed CP2(%)	31.42	32.91
	Market share for each type of bill and bond issue and first time purchase (%)	29.05	30.38
	Market share for each type of bill and bond transaction (%)	35.07	33.57
Capital adequacy ratio	Capital adequacy ratio (%)	13.84	13.57
	Eligible capital	28,548,890	28,705,412
	Total value of risk assets	206,332,882	211,584,531
	Ratio of Tier I capital to risk - weighted assets (%)	13.59	13.29

Significant variations in the last 2 years: (for variations above 20%)

1. The slower asset growth was attributed to a series of outright sales of long-term notes in an attempt to avoid interest rate risks.
2. The increase in profit growth was mainly attributed to repayments made by borrowers that resulted in the reversal of guarantee liability provisions previously made.
3. The increase in cash flow ratio was mainly attributed to a series of outright sales of long-term notes, which produced net cash inflows from operating activities.
4. Increases in the percentage of secured loans to stakeholders were attributed to a higher increase of secured loans to stakeholders relative to the total loan balance.

Note: Equations for analysis items:

1. Managerial ability
   (1) Average number of days of bill and bond holding=365/bills/bond turnover rate(Bill/bond turnover rate: (Amount of each type of bill or bond transaction/average balance of each installment of bill or bond).
   (2) NPL ratio=NPL (including non-accrual loan)/total loan (including non-accrual loan).
   (3) Total assets turnover rate=Income/average total assets.
   (4) Average yield per employee=Income/total number of employees.
   (5) Average profit per employee=Income after tax/total number of employees.
2. Profitability
   (1) ROA=Income after tax/average total assets.
   (2) ROE=Income after tax/average equity, net.
   (3) Net profit margin=Income after tax/income (Income=interest income + revenue other than interest income).
   (4) Earnings per share = (income and loss attributed to owners of parent company –dividends of the preferred stocks) / weighted average numbers of outstanding shares.
3. Financial structure
   (1) Liability to total assets ratio=Total liabilities/total assets.
   (2) Property and equipment to stockholders' equity ratio = Property and equipment net /Total stockholders' equity.
   (3) Total liabilities should exclude allowances for the guarantee liability.
4. Growth rate
   (1) Asset growth rate=(Total assets in current period-total assets for the previous period)/Total assets for the previous year.
   (2) Profit growth rate=(Income before tax in current period-income before tax for the previous year)/Income before tax for the previous year.
5. Cash flow
   (1) Cash flow ratio=Net cash flow from operating activities/(interbank overdraft and call loans +commercial promissory note payable+financial liabilities at fair value through profit and loss+bills and bonds payable under repurchase agreements+payables-current portion).
   (2) Net cash flows adequacy ratio=Net cash flow from operating activities for the most recent five years/(capital expenditure+cash dividend) for the most recent five years.
6. Scale of operations
   (1) Asset market share=Total assets/total assets of all bills financial companies.
   (2) Net value market share = Net value/total net of all bills financial companies.
   (3) Market share for guaranteed CP2=Balance of guaranteed CP2 /total balance of CP2 guaranteed and endorsed by all bills financial companies.
   (4) Market share for each type of bill and bond issue and first time purchase=Amount of each type of bill and bond issue and first time purchase/total amount of each type of bill and bond issue and first purchase by all bills financial companies
   (5) Market share for each type of bill and bond transaction=Amount of each type of bill and bond transaction/total amount of each type of bill and bond transaction by all bills financial companies.
7. Capital adequacy ratio
   (1) Capital adequacy ratio=Eligible capital/total risk assets.
   (2) Eligible capital=Tier I capital + Tier II eligible capital +Tier III eligible and used capital.
   (3) Total risk assets=Credit risk weighted risk assets + (operational risk capital requirement +market risk capital requirements) x 12.5.
   (4) Ratio of Tier I capital to risk - weighted assets = Tier I capital/total risk assets.

II. Financial Analysis - R.O.C. GAAP

Unit: NT$ thousands; %

Item		Financial Analysis from 2010 to 2012		
		2012	2011	2010
Managerial ability	Average number of days of bill and bond holding	5.26	4.95	4.40
	NPL ratio	0	0	0.09
	Total assets turnover rate	0.02	0.02	0.02
	Average yield per employee	19,071	17,891	19,209
	Average profit per employee	12,861	11,975	11,959
Profitability	ROA (%)	1.30	1.23	1.28
	ROE (%)	8.81	8.24	8.12
	Net profit margin (%)	67.44	66.93	62.26
	EPS (NT$)	2.20	2.05	2.02
Financial structure	Liability to total assets ratio (%)	83.53	84.25	83.13
	Fixed assets to stockholders' equity ratio (%)	8.89	8.99	9.05
Growth rate	Asset growth rate (%)	-3.58	6.77	4.10
	Profit growth rate (%)	6.71	-0.56	-10.00
Cash flow	Cash flow ratio (%)	N/A	1.19	2.12
	Cash flow adequacy ratio (%)	189.27	386.83	323.05
Credit extended to stakeholders		545,000	210,000	230,000
Percentage of credits extended to stakeholders (%)		0.38	0.16	0.20
Scale of operations	Asset market share (%)	28.36	28.57	28.10
	Net value market share (%)	30.39	30.16	29.51
	Market share for guaranteed CP2 (%)	35.79	36.85	33.49
	Market share for each type of bill and bond issue and first time purchase (%)	31.40	31.29	27.69
	Market share for each type of bill and bond transaction (%)	33.65	34.74	32.95
Capital adequacy ratio	Capital adequacy ratio (%)	13.49	14.48	16.22
	Eligible capital	28,584,534	28,220,229	29,002,098
	Total value of risk assets	211,953,033	194,834,756	178,834,426
	Ratio of Tier I capital to risk weighted assets (%)	12.94	13.71	15.16

Note: Equations for analysis items:

1. Managerial ability
   (1) Average number of days of bill and bond holding=365/bills/bond turnover rate(Bill/bond turnover rate: (Amount of each type of bill or bond transaction/average balance of each installment of bill or bond).
   (2) NPL ratio=NPL (including non-accrual loan)/total loan (including non-accrual loan).
   (3) Total assets turnover rate=Income/average total assets.
   (4) Average yield per employee=Income/total number of employees.

(5) Average profit per employee=Income after tax/total number of employees.

2. Profitability

(1) ROA=Income after tax/average total assets.

(2) ROE=Income after tax/average stakeholders' equity, net.

(3) Net profit margin=Income after tax/income (Income=interest income + revenue other than interest income).

(4) EPS=(Net profit after tax-preferred stock dividend)/ quantity of issued shares under weighted average method.

3. Financial structure

(1) Liability to total assets ratio=Total liabilities/total assets (Total liabilities exclude allowances for guarantee liability and for loss on securities exchange.)

(2) Fixed assets to stockholders' equity ratio = Fixed assets, net/stockholders' equity, net.

4. Growth rate

(1) Asset growth rate=(Total assets in current period-total assets for the previous period)/Total assets for the previous year.

(2) Profit growth rate=(Income before tax in current period-income before tax for the previous year)/Income before tax for the previous year.

5. Cash flow

(1) Cash flow ratio=Net cash flow from operating activities/(interbank overdraft and call loans +commercial promissory note payable+financial liabilities at fair value through profit or loss+bills and bonds payable under repurchase agreements+payables-current portion).

(2) Net cash flows adequacy ratio=Net cash flow from operating activities for the most recent five years/(capital expenditure+cash dividend) for the most recent five years.

(3) Net cash flow was negative in 2012, hence not applicable.

6. Scale of operations

(1) Asset market share=Total assets/total assets of all bills financial companies.

(2) Net value market share = Net value/total net stockholders' equity of all bills financial companies.

(3) Market share for guaranteed CP2=Balance of guaranteed CP2/total balance of CP2 guaranteed by all bills financial companies.

(4) Market share for each type of bill and bond issue and first time purchase=Amount of each type of bill and bond issue and first time purchase/total amount of each type of bill and bond issue and first purchase by all bills financial companies.

(5) Market share for each type of bill and bond transaction=Amount of each type of bill and bond transaction/total amount of each type of bill and bond transaction by all bills financial companies.

7. Capital adequacy ratio

(1) Capital adequacy ratio=Eligible capital/total risk assets.

(2) Eligible capital=Tier I capital + Tier II eligible capital +Tier III eligible and used capital.

(3) Total risk assets=Credit risk weighted risk assets (operational risk capital requirement +market risk capital requirements) x 12.5.

(4) Ratio of Tier I capital to risk weighted assets = Tier I capital/total risk assets.

Three. Supervisors' Audit Report of Financial Statements in the Most Recent Year

Supervisor's Audit Report

The Board of Directors has submitted to us the Company's business report, financial statements, catalogue of property and motion for allocation of earnings in 2014. The financial statements were audited and certified by Chien-Hung Chou, CPA and Po-Ju, Kuo CPA of PwC Taiwan. We have audited said business report, financial statements, catalogue of property and motion for allocation of earnings and held that none of them has any non-compliance. Accordingly, this report is produced in accordance with Article 219 of the Company Law and Article 36 of the Securities and Exchange Act.

To

General Shareholders' Meeting 2015 of Mega Bills Finance Corporation

Supervisor: Tan-Hung Lu

Supervisor: Ching-Lung Hung

Supervisor: Chia-Min Hung

March 24, 2015

Four. Mega Bills Finance Co., Ltd. Financial Statements, including Report of Independent Accountants, Balance Sheets, Statement of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows and Notes to Financial Statements

PWCR14000488

Report of Independent Accountants

To the Board of Directors and Stockholders
Mega Bills Finance Co., Ltd.

We have audited the accompanying balance sheets of Mega Bills Finance Co., Ltd. (the "Company") as of December 31, 2014 and 2013 and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mega Bills Finance Co., Ltd. as of December 31, 2014 and 2013, and their financial performance and cash flows for the years ended December 31, 2014 and 2013 in conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

March 24, 2015

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

MEGA BILLS FINANCE CO., LTD.
BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	NOTES	December 31, 2014	December 31, 2013
Cash and cash equivalents	6(1) and 7	$ 444,266	$ 544,617
Financial assets at fair value through profit or loss	6(2), 7 and 8	117,026,616	133,085,711
Available-for-sale financial assets	6(3), 7 and 8	83,333,880	80,127,802
Bills and bonds investment with resale agreements	6(4)	9,805,054	1,966,157
Receivables - net	6(5)	1,004,365	1,072,383
Held-to-maturity financial assets	6(6)	850,000	500,000
Other financial assets – net	6(7) and 8	802,252	1,303,700
Property and equipment - net	6(8)	370,378	362,205
Investment property - net	6(9)	2,549,752	2,560,415
Intangible assets - net		2,886	3,303
Deferred income tax assets - net	6(28)	95,088	89,030
Other assets - net	6(10) and 7	25,511	27,647
TOTAL ASSETS		$ 216,310,048	$ 221,642,970
LIABILITIES AND EQUITY			
Interbank overdraft and call loans	6(11), 7 and 8	$ 15,926,613	$ 21,259,000
Financial liabilities at fair value through profit or loss	6(12)	411	1,352
Bills and bonds payable under repurchase agreements	6(2)(3)(4) and 7	163,777,891	163,869,633
Payables	6(13)	502,801	809,067
Current income tax liabilities	6(28)	74,713	124,310
Provisions for liabilities	6(14)(15) and 7	2,774,969	3,282,308
Deferred income tax liabilities	6(28)	790	62
Other liabilities	7	116,541	179,726
TOTAL LIABILITIES		183,174,729	189,525,458
Capital stock			
Common stocks	6(16)	13,114,411	13,114,411
Capital surplus	6(17)(18)	320,929	320,929
Retained earnings	6(19)		
Legal reserve		15,429,923	14,678,366
Special reserve		203,090	203,090
Unappropriated retained earnings		2,964,129	2,505,189
Other equity interest			
Unrealized gain or loss on available-for-sale financial assets		1,102,837	1,295,527
TOTAL EQUITY		33,135,319	32,117,512
Commitments and contingent liabilities	9		
TOTAL LIABILITIES AND EQUITY		$ 216,310,048	$ 221,642,970

The accompanying notes are an integral part of these financial statements.

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

	NOTES	For the years ended December 31 2014	2013
Interest income	6(20)	$ 2,791,448	$ 2,837,819
Less：interest expense	6(20) and 7	(980,992)	(1,058,294)
Interest income, net		1,810,456	1,779,525
Non-interest income, net			
Service fee and commission income, net	6(21) and 7	887,884	706,324
Gain or loss from financial assets and liabilities at fair value through profit or loss	6(2)(12)(22) and 7	430,052	355,856
Realized gain or loss on available-for-sale financial assets	6(23)	289,241	650,551
Foreign exchange gain or loss, net		4,283	544
Other non-interest income or loss, net			
Leasehold income	7	110,043	104,595
Others		14,746	54,799
Net revenues		3,546,705	3,652,194
Provisions	6(24)	660,965	177,739
Operating expenses			
Employee benefit expense	6(15)(25)	(555,192)	(550,147)
Depreciation and amortization	6(26)	(21,949)	(20,483)
Other business and administrative expenses	6(27) and 7	(203,217)	(205,102)
Total operating expenses		(780,358)	(775,732)
Income before income tax from operating unit		3,427,312	3,054,201
Income tax expense	6(28)	(426,465)	(423,718)
Net income		3,000,847	2,630,483
Other comprehensive income			
Unrealized loss on valuation of available-for-sale financials assets		(192,690)	(1,272,286)
Actuarial gains (losses) on defined benefit plan	6(15)	(46,102)	62,827
Income tax relating to component of other comprehensive income	6(28)	7,837	(10,681)
Total other comprehensive income (after income tax)		(230,955)	(1,220,140)
Total comprehensive income		$ 2,769,892	$ 1,410,343
Earnings per share			
Basic and diluted earnings per share	6(29)	$ 2.29	$ 2.01

The accompanying notes are an integral part of these financial statements.

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings			Other equity interest	
	Capital Stocks	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Unrealized gain or loss on available-for-sale financial assets	Total Equity
For the year ended December 31, 2013							
Balance as of January 1, 2013	$ 13,114,411	$ 312,823	$ 13,814,076	$ 203,090	$ 2,703,846	$ 2,567,813	$ 32,716,059
Appropriation of 2012 earnings (Note)							
Legal reserve	-	-	864,290	-	(864,290)	-	-
Cash dividends	-	-	-	-	(2,016,996)	-	(2,016,996)
Share-based payment transactions	-	8,106	-	-	-	-	8,106
Total comprehensive income							
Net income for 2013	-	-	-	-	2,630,483	-	2,630,483
Total other comprehensive income for 2013	-	-	-	-	52,146	(1,272,286)	(1,220,140)
Total comprehensive income for 2013	-	-	-	-	2,682,629	(1,272,286)	1,410,343
Balance as of December 31, 2013	$ 13,114,411	$ 320,929	$ 14,678,366	$ 203,090	$ 2,505,189	$ 1,295,527	$ 32,117,512
For the year ended December 31, 2014							
Balance as of January 1, 2014	$ 13,114,411	$ 320,929	$ 14,678,366	$ 203,090	$ 2,505,189	$ 1,295,527	$ 32,117,512
Appropriation of 2013 earnings (Note)							
Legal reserve	-	-	751,557	-	(751,557)	-	-
Cash dividends	-	-	-	-	(1,752,085)	-	(1,752,085)
Total comprehensive income							
Net income for 2014	-	-	-	-	3,000,847	-	3,000,847
Total other comprehensive income for 2014	-	-	-	-	(38,265)	(192,690)	(230,955)
Total comprehensive income for 2014	-	-	-	-	2,962,582	(192,690)	2,769,892
Balance as of December 31, 2014	$ 13,114,411	$ 320,929	$ 15,429,923	$ 203,090	$ 2,964,129	$ 1,102,837	$ 33,135,319

Note: Employee bonuses amounting to $59,974 and $70,584 thousand for 2013 and 2012 have been deducted from the statements of comprehensive income.

The accompanying notes are an integral part of these financial statements.

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	NOTES	For the years ended December 31 2014	2013
Cash Flows from Operating Activities			
Income before income tax		$ 3,427,312	$ 3,054,201
Adjustments to reconcile income before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation	6(26)	18,705	17,235
Amortization	6(26)	3,244	3,248
(Reversal) provision for bad debts and various reserves	6(14)	(526,633)	86,661
Interest income	6(20)	(2,791,448)	(2,837,819)
Dividend income		(114,917)	(116,338)
Interest expense	6(20)	980,992	1,058,294
Gains on disposal of property and equipment		(137)	(521)
Share-based payment transactions		-	8,106
Changes in assets/liabilities relating to operating assets:			
Decrease (increase) in financial assets at fair value through profit or loss		16,059,095	(3,922,518)
Increase in bills and bonds investment with resale agreements		(7,838,897)	(1,966,157)
Decrease (increase) in receivables		71,958	(67,950)
(Increase) decrease in available-for-sale financial assets		(3,398,768)	483,794
Increase in held-to-maturity financial assets		(350,000)	-
Decrease (increase) in other financial assets		421,147	(96,819)
Decrease in other assets		1,187	6,298
Decrease in financial liabilities at fair value through profit or loss		(941)	(1,802)
(Decrease) increase in bills and bonds payable under repurchase agreements		(91,742)	4,492,858
(Decrease) increase in payables		(302,070)	148,024
Decrease in provisions for liabilities		(5,867)	(6,203)
(Decrease) increase in other liabilities		(63,185)	103,509
Interest paid		(985,188)	(1,070,393)
Interest received		2,846,868	3,044,178
Dividend received		114,917	116,338
Income tax paid		(473,555)	(742,961)
Net cash provided by operating activities		7,002,077	1,793,263
Cash Flows from Investing Activities			
Proceeds from capital reduction of investment measured at cost	6(7)	-	25,000
Acquisition of property and equipment	6(8)	(16,287)	(21,621)
Increase of intangible assets		(933)	-
Proceeds from disposal of property and equipment		209	521
Increase in other assets		(945)	(724)
Net cash (used in) provided by investing activities		(17,956)	3,176
Cash Flows from Financing Activities			
(Decrease) increase in interbank overdraft and call loans		(5,332,387)	398,000
Payments of cash dividends		(1,752,085)	(2,016,996)
Net cash used in financing activities		(7,084,472)	(1,618,996)
Net (decrease) increase in cash and cash equivalents		(100,351)	177,443
Cash and cash equivalents, beginning of year	6(1)	544,617	367,174
Cash and cash equivalents, end of year	6(1)	$ 444,266	$ 544,617

The accompanying notes are an integral part of these financial statements.

MEGA BILLS FINANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Expressed in thousands of new Taiwan dollars, except as otherwise indicated)

1. ORGANIZATION AND OPERATIONS

(1) Mega Bills Finance Co., Ltd. (the “Company”) formerly known as Chung Hsing Bills Finance Co., Ltd., was established on May 3, 1976. In accordance with the Explanatory Letter Jing-Shou-Shang-Zi Ruling 09501114390 of Economic Affairs, R.O.C., dated June 14, 2006, the Company was renamed as Mega Bills Finance Co., Ltd. The Company is mainly engaged in (1) acting as guarantor and endorser of commercial paper (CP2); (2) approval, underwriting, brokerage and proprietary trading service of short-term negotiable instruments; (3) approval, underwriting, brokerage and proprietary trading service of financial bonds; (4) proprietary trading service of government bonds; (5) proprietary trading service of corporate bonds; (6) transactions of derivative financial instruments; (7) investments of equity instruments; (8) proprietary trading and investment service of fixed income securities; (9) corporate financial consulting service and (10) other business approved by the authorities.

(2) The common stock of the Company was originally traded on the Taiwan Stock Exchange. Pursuant to a resolution in the 2002 annual stockholders’ meeting, the Company was merged into Mega Financial Holding Co., Ltd. (hereinafter referred to as “Mega Holding”) by way of a share swap. The ratio of the share swap was 1.39 shares of the Company’s common stock for one common share of Mega Holding. As a result, the Company was de-listed from the Taiwan Stock Exchange on August 22, 2002.

(3) Mega Holding is the parent company of the Company (Ultimate parent).

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 24, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards as endorsed by the Financial Supervisory Commission (“FSC”)

None.

(2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Company

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014,commencing 2015, the Company shall adopt the 2013 version of IFRSs (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the ‘‘Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies’’ in preparing the financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures－Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Disclosures－Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11,‘Joint arrangements’	January 1, 2013
IFRS 12,‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27,‘Separate financial statements’(as amended in 2011)	January 1, 2013
IAS 28,‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009－2011	January 1, 2013

Based on the Company’s assessment, the adoption of the 2013 version of IFRSs has no significant impact on the financial statements of the Company, except the following:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service cost will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognized in other comprehensive income. An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity’s future cash flows.

The Company expected to recognize previously unrecognized past service cost. As of January 1, 2014, the Company increased provisions for liabilities by $8,088 thousand, deferred income tax assets by $1,375 thousand and decreased unappropriated retained earnings by $6,713 thousand. As of December 31, 2014 the Company increased provisions for liabilities by $5,487 thousand, deferred income tax assets by $933 thousands and decreased unappropriated retained earnings $4,554 thousand. The Company decreased employee benefit expense by $2,601 thousand and increased income tax expense by $442 thousand for 2014.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

C. IFRS 13, ‘Fair value measurement’

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. And, the standard requires disclosures about fair value measurements. Based on the Company’s assessment, the adoption of the standard has no significant impact on its financial statements, and the Company will disclose additional information about fair value measurements accordingly.

D. Disclosures - Transfers of financial assets (amendment to IFRS 7)

The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.

Based on the Company’s assessment, the adoption of the amendment will require the Company to include qualitative and quantitative disclosures for all transferred financial assets.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting(amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

For the above items, the Company is assessing their impact on the financial statements and will disclose the affected amounts accordingly.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis for preparation

A. Except for the following items, these financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized past service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translations

A. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

B. Transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the spot exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(4) Cash and cash equivalents

"Cash and cash equivalents" include cash on hand, demand deposits, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

(5) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(A) Hybrid (combined) contracts; or

(B) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(C) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(6) Bills and bonds under repurchase or resale agreements

Bills and bonds under repurchase or resale agreements are stated at the amount actually received from or paid to the counterparties. When transactions of bills and bonds with a condition of resale agreements occur, the actual payment shall be recognized in bills and bonds investment with resale agreements. When transactions of bills and bonds with a condition of repurchase agreements occur, the actual receipt shall be recognized in bills and bonds payable under repurchase agreements. Any difference between the actual payment/receipt and predetermined resale (repurchase) price is recognized in interest income or interest expense.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value. Any changes in the fair value of these financial assets are recognized in other comprehensive income and shall be recognized as profit or loss in the period when available-for-sale financial assets are derecognized.

D. When the reduction of fair value of available-for-sale financial asset has been recognized in other comprehensive income and with objective evidence indicating that the impairment has incurred, even if the financial asset has not been derecognized, accumulated losses recognized in other comprehensive income shall be reclassified from equity items to gain and loss. The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

In respect of investment in equity instruments classified as available-for-sale, whose impairment loss recognized in profit or loss shall not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. For debt instruments classified as available-for-sale, impairment loss can be reversed and recognized in profit or loss if subsequent increase in the fair value of the investment can be objectively related to an event occurring after the impairment loss is recognized in profit or loss.

(8) <u>Held-to-maturity financial assets</u>

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognized and derecognized using trade date accounting.

C. Held-to-maturity financial assets are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

D. An impairment loss is recognized when there is objective evidence of impairment. The amount of the impairment loss is the difference between the financial assets' book value and the estimated future cash flow discounted using the original effective interest rate. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amounts shall not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior years.

(9) <u>Financial assets measured at cost</u>

A. Financial assets measured at cost refer to investments in equity instruments that do not have a quoted market price in an active market or derivatives that are linked to unquoted equity instruments without reliably measured fair value and must be settled by delivery of such unquoted equity instruments.

B. Financial assets measured at cost are accounted for using trade date accounting. These assets are initially recognized at fair value plus transaction costs of acquisition. The fair value can be reasonably estimated when the following criteria are met at the balance sheet date: (a) the variability in the range of reasonable fair value estimates is insignificant for that instrument, or (b) the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value. If the variability in the range of reasonable fair value estimate could vary significantly, and the probabilities of the various estimates cannot be reasonably measured, then it should be assessed by cost instead of fair value.

C. When there is objective evidence of impairment indicating an impairment loss has occurred on the financial assets carried at cost, the impairment loss should be recognized under asset impairment loss. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset. Such impairment loss is not reversible.

(10) Accounts receivable and overdue receivables

Accounts receivable include accounts receivable, notes receivable and other receivables. Accounts receivable are accounted for as follows:

A. The commercial papers guaranteed by the Company which matures without being presented immediately within six months from the maturity, shall be accounted for as accounts receivable. Receivables overdue for longer than six months shall be accounted for as overdue receivables.

B. During the period which guaranteed commercial papers are issued for, the collateral is subject to provisional attachment yet the borrower still pays the interest regularly. In order to extend a grace period for the borrower to apply for removal of such attachment, if such commercial paper matures without being presented immediately, the balance of the commercial paper shall be accounted for as notes receivable.

C. Other receivables represent accounts receivable except for those listed under designated accounts.

D. Accounts receivable and overdue receivables are initially recognized at fair value, which includes the price of transaction, significant costs of transaction, significant handling fees paid or received, discount and premium, etc., and subsequently measured at amortized cost using the effective interest method.

E. Allowance for doubtful accounts for claims such as accounts receivable and overdue receivables is recognized by assessing at balance sheet date whether objective evidence exists indicating impairment losses generated from material individual financial assets, and impairment losses generated individually or as a company from immaterial individual financial assets. An impairment loss is recognized when there is objective evidence of impairment. The amount of the impairment loss is the difference between the financial assets’ book value and the estimated future cash flow discounted using the original effective interest rate. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amounts shall not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior years.

(11) Property and equipment

A. Property and equipment are initially recorded at cost.

B. Land is not depreciated. Other property and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property and equipment are as follows: buildings, 60 years; machinery and computer equipment, 3 to 6 year; miscellaneous equipment, 3 to 5 years.

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

(12) Leases

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(13) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(14) Intangible assets

A. Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Intangible assets are subsequently measured using the cost model.

(15) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; or

(I) Other objective evidence.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment shall be made according to the category of financial assets as mentioned previously.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Derecognition of financial assets and liabilities

A. The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

B. A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expired.

(18) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(19) Financial guarantee contracts

The Company initially recognizes financial guarantee contracts at fair value on the date of issuance. The Company charges a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

Subsequently, the Company should measure the financial guarantee contract issued at the higher of:

A. the amount determined in accordance with IAS 37, “Provisions, contingent liabilities and contingent assets” and

B. The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18, “Revenue”.

The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgment combined with historical loss data based on the similar transaction experiences. The increase in liabilities due to financial guarantee contract is recognized in “Provisions”.

The Company assesses the possible loss on credit assets within and off balance sheets in accordance with “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt”, and provides adequate reserve for guarantee liabilities.

(20) Provisions for liabilities, contingent liabilities and contingent assets

A. When all the following criteria are met, the Company shall recognize a provision:

(A) A present obligation (legal or constructive) as a result of a past event;

(B) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(C) The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

B. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Company did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

C. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. The Company did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

The pension plan of the Company includes both defined contribution plans and defined benefit plans.

(A) Defined contribution plans

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

(B) Defined benefit plans

a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using market yields at the balance sheet date on high-quality corporate bonds with a currency and term consistent with the currency and term of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses market yields on government bonds (at the balance sheet date) instead.

b. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

c. Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. If there are significant changes in the appropriation amounts resolved by the Board of Directors, the changes shall be adjusted to the current year's profit or loss (in which employees' bonuses are recognized); if there are still changes as approved during the stockholders' meeting, the changes shall be recognized as profit or loss.

(22) Revenue and expense

Income and expense of the Company are recognized as incurred, the main components are as follows:

A. Interest income and expense: Interest income means interest income generated from holding bills and bonds, bills and bonds investment with resale agreements, various deposits, and other financial assets. Interest expense means various interest expenses resulting from bills and bonds payable under repurchase agreements and financing from banks. All the interest income and interest expense generated from interest-bearing financial instruments are calculated by effective interest rate according to relevant regulations and recognized as interest income and interest expense.

B. Service fee income and expense: Service fee income means service fee income earned from provision of guarantee, certification, and underwriting services. Service fee expense means expenses resulting from authorizing others to handle various procedures. Amounts the Company receives when providing the services, such as guarantee service, is recognized as service fee income on a straight-line basis over the guarantee period. If the amounts earned are classified as income from implementation of significant activities, such as certification service, the amounts shall be recognized as income when the certification service is completed.

C. Operating expenses: operating expenses refer to expenditures required to carry out business operations, which primarily comprise employee benefit expense, depreciation and amortization expenses, and other business and administrative expenses.

(23) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. Although the Company’s income tax returns are filed jointly with Mega Holding, the Company’s parent company, and its other subsidiaries starting 2003, income taxes are accounted for by the same principles stated above. The estimated amount of receivables (payables) arising from the joint filing of income tax returns is recorded under “Current income tax assets (liabilities)”.

F. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Share capital

Net of incremental costs directly attributable to the issuance of new shares will be removed from equity after related income tax expense is eliminated. Dividends on ordinary shares are recognized in equity in the year in which they are approved by the shareholders. Cash dividends are recorded as liabilities. They are not recognized and only disclosed as subsequent event in the notes to the financial statements if the dividend declaration date is later than the balance sheet date.

(25) Share-based payment

When the parent company reserves shares from cash capital increase for employee preemption, fair value of the services received shall be measured at the fair value of equity instruments granted at the grant date and recognized as employee benefit expense in accordance with IFRS 2, ‘Share-based Payment’.

(26) Presentation of financial statements

In accordance with the “Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies”, assets and liabilities in the accompanying financial statements are not classified into current and non-current items.

(27) Operating segments

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company’s accounting policies and make critical assumptions and estimates concerning future events. Judgements and estimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) As the financial statements of the Company may be affected by the adoption of accounting policy, accounting estimate and assumption, the Company’s management shall properly exercise its professional judgement, estimates, and assumptions on the information of the key risks that is obtained from other resources and could affect the carrying amounts of financial assets and liabilities in the next fiscal year while adopting critical accounting policies as stated in Note 4. Estimates and assumptions of the Company are the best estimates made in compliance with IFRSs as endorsed by the FSC. Estimates and assumptions are made based on past experience and other factors deemed relevant; however, the actual results may differ from the estimates. The Company reviews the estimates and assumptions on an ongoing basis and recognizes the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized in both periods.

(2) The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Guarantee reserve assessment

The Company assesses at the balance date the adequacy of guarantee reserve. Unless otherwise provided by laws or regulations, when deciding whether to set aside guarantee reserve, the Company shall primarily exercise its judgement on whether the guarantee is likely to occur and cash inflow that may arise after the guaranty obligation resulted. Evidences for making judgement include observable data indicating adverse movement in payment status of the debtor or industry news relevant to arrears. The Company periodically reviews assumptions of factors for judgement in order to reduce the difference between estimated loss and actual loss.

B. Fair value of financial instruments

The fair value of financial instruments in non-active market or financial instruments without a quoted market price in an active market is determined using valuation techniques. Such fair value is assessed based on observable data of similar financial instruments or a valuation model. If there are no observable market parameters, the fair value of financial instruments is assessed based on appropriate assumptions. If fair value is determined by a valuation model, all models are calibrated to ensure that all outputs reflect actual data and market prices. Sensitivity analysis of financial instruments is provided in Note 13(5).

C. Calculation of liabilities reserve for employee benefits

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Checking deposits	$ 212,310	$ 235,126
Demand deposits	41,256	308,791
Time deposits	190,000	-
Petty cash	700	700
Total	$ 444,266	$ 544,617

A. For bank deposits due from related parties, please refer to Note 7.

B. As of December 31, 2014, interest rates for time deposits, which shall mature within three months, were both 0.75%.

C. As of December 31, 2014 and 2013, demand deposits in USD amounted to US$16 thousand and US$34 thousand, respectively, and the exchange rate of USD to NTD was 1 : 31.663 and 1 : 29.775, respectively. (Exchange rates of USD to NTD shown below are all the same).

D. As of December 31, 2014 and 2013, CNY denominated demand deposits amounted to CNY $106 thousand and CNY $18 thousand, respectively, and the exchange rate of CNY to NTD was 1：5.0971 and 1：4.9122, respectively.(Exchange rates of CNY to NTD shown below are all the same).

(2) Financial assets at fair value through profit or loss

	December 31, 2014	December 31, 2013
Financial assets held for trading		
Commercial paper	$ 90,639,837	$ 100,578,408
Fixed rate commercial paper purchased	9,945	9,080
Fixed rate commercial paper sold	-	51
Bankers' acceptance	1,065,879	528,911
Negotiable certificates of time deposit	21,150,160	28,103,532
Treasury securities	-	495,531
Convertible corporate bonds	348,820	195,576
Stocks	14,100	-
Derivatives	-	31
Subtotal	113,228,741	129,911,120
Financial assets designated as at fair value through profit or loss on initial recognition		
Convertible corporate bond asset swaps	3,797,875	3,174,591
Subtotal	3,797,875	3,174,591
Total	$ 117,026,616	$ 133,085,711

A. The Company recognized net gain of $416,230 thousand and $372,547 thousand on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively, and recognized net gain (loss) of $14,984 thousand and ($16,166) thousand on financial assets designated as at fair value through profit or loss on initial recognition for the years ended December 31, 2014 and 2013, respectively.

B. As of December 31, 2014 and 2013, the transaction cost of bills with repurchase agreement of above financial assets held for trading were $83,115,349 thousand and $91,054,638 thousand, respectively.

C. As of December 31, 2014 and 2013, the above negotiable certificates of time deposits used for bank overdraft collateral have maturities within one year. Please refer to Notes 7 and 8 for details.

(3) Available-for-sale financial assets

	December 31, 2014	December 31, 2013
Government bonds	$ 43,514,403	$ 43,971,716
Financial bonds	9,894,528	7,188,968
Foreign currency financial bonds	1,760,606	97,753
Corporate bonds	24,969,505	25,796,197
Beneficiary or asset-backed securities	870,925	411,159
Stocks	2,323,913	2,662,009
Total	$ 83,333,880	$ 80,127,802

A. As of December 31, 2014 and 2013, the transaction cost of bonds and beneficiary or asset-backed securities with repurchase agreement of above available-for-sale bonds were $64,598,681 thousand and $63,900,453 thousand, respectively.

B. The government bonds and corporate bonds were provided as collaterals for bank overdrafts as of December 31, 2014 and 2013. Please refer to Notes 7 and 8 for details.

C. As of December 31, 2014 and 2013, in accordance with the relevant regulations, the Company deposited refundable deposits in Central Bank and other institutions. Bonds are collateralized as refundable deposits amounting to $878,653 thousand and $901,939 thousand, respectively.

D. As of December 31, 2014 and 2013, the fair values of financial bonds denominated in USD have amounted to US $52,385 thousand and US $0 thousand, respectively.

E. As of December 31, 2014 and 2013, the fair values of financial bonds denominated in CNY have amounted to CNY $20,000 thousand and CNY $19,900 thousand, respectively.

(4) Bills and bonds under repurchase or resale agreements

	December 31, 2014	December 31, 2013
Bills and bonds investment with resale agreements	$ 9,805,054	$ 1,966,157
Bills and bonds payable under repurchase agreements	$ 163,777,891	$ 163,869,633

A. As of December 31, 2014 and 2013, the interest rate of bills and bonds investment with resale agreements were 0.55%~0.59% and 0.59%~0.61%, respectively. The fair value of collaterals (bonds) obtained by transaction amounted to $10,028,131 thousand and $2,018,199 thousand.

B. As of December 31, 2014 and 2013, the interest rate of bills and bonds payable under repurchase agreements were 0.26%~0.81% and 0.26%~0.80%, respectively.

C. As of December 31, 2014 and 2013, the face value of above-mentioned bills and bonds investment with resale agreements which were traded under repurchase agreement were $9,694,600 thousand and $1,940,600 thousand, respectively.

D. As of December 31, 2014 and 2013, please refer to Note 7 for the balances of repo trades with related parties.

E. As of December 31, 2014 and 2013, recognized amount of USD denominated bills and bonds payable under repurchase agreements were US$44,729 thousand and US$0 thousand, respectively.

F. As of December 31, 2014 and 2013, recognized amount of CNY denominated bills and bonds payable under repurchase agreements CNY $17,878 thousand and CNY $1,240 thousand, respectively.

G.

(5) Receivables – net

	December 31, 2014	December 31, 2013
Interest receivable	$ 999,323	$ 1,054,743
Trade receivables on bond investment	5,000	-
Accounts receivable	-	77,000
Other receivables – others	42	-
Less: Allowance for doubtful accounts	-	(59,360)
Receivables, net	$ 1,004,365	$ 1,072,383

For details of allowance for doubtful accounts, please refer to Note 6(14).

(6) Held-to-maturity financial assets

	December 31, 2014	December 31, 2013
Corporate bonds	$ 850,000	$ 500,000
Less: Accumulated impairment	-	-
Net	$ 850,000	$ 500,000

(7) Other financial assets – net

	December 31, 2014	December 31, 2013
Certificate of deposit pledged	$ 400,000	$ 900,000
Financial assets carried at cost - net	344,300	344,300
Designated account for allowance to pay back short-term bills	57,952	59,400
Net	$ 802,252	$ 1,303,700

The above certificate of deposit pledged were provided as collaterals for bank overdrafts as of December 31, 2014 and 2013. Please refer to Note 8 for details.

A. For above-mentioned financial assets carried at cost, as the variability in the range of reasonable fair value estimate could vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the assets are measured at cost. Relevant details are as follows:

	December 31, 2014		December 31, 2013	
	Amount	% of Shareholding	Amount	% of Shareholding
Unlisted stock investments				
Core Pacific City Co., Ltd.	$ 600,000	3.361	$ 600,000	3.458
Taiwan Asset Management Co., Ltd.	75,000	0.568	75,000	0.568
Taiwan Financial Asset Services Co., Ltd.	50,000	2.941	50,000	2.941
Taiwan Futures Exchange Co., Ltd.	10,250	0.512	10,250	0.512
Taiwan Depository & Clearing Co., Ltd.	6,850	0.628	6,850	0.628
Agora Garden Co., Ltd.	900	0.030	900	0.030
Subtotal	743,000		743,000	
Less: Accumulated impairment	(398,700)		(398,700)	
Net	$ 344,300		$ 344,300	

Note: Taiwan Asset Management Co., Ltd. had filed for capital reduction, which became effective on July 10, 2013. The Company therefore obtained returned proceeds from capital reduction of $25,000 thousand.

As of December 31, 2014 and 2013, the Company had recognized impairment loss for the above listed investees as follows:

	December 31, 2014	December 31, 2013
Core Pacific City Co., Ltd.	$ 397,800	$ 397,800
Agora Garden Co., Ltd.	900	900
	$ 398,700	$ 398,700

(8) Property and equipment – net

	Land	Buildings	Machinery and computer equipment	Miscellaneous equipment	Equipment prepayment	Total
January 1, 2014						
Cost	$227,347	$ 166,118	$ 86,273	$ 56,948	$ 14,708	$ 551,394
Accumulated depreciation	-	(60,296)	(81,123)	(47,770)	-	(189,189)
Net Book Value	227,347	105,822	5,150	9,178	14,708	362,205
Additions-Cost	-	-	6,818	2,353	7,116	16,287
Transfer-Cost	-	-	18,779	-	(18,779)	-
Disposals-Cost	-	-	(96)	(1,127)	-	(1,223)
Disposals-Accumulated depreciation	-	-	96	1,055	-	1,151
Depreciation	-	(2,721)	(4,284)	(1,037)	-	(8,042)
December 31, 2014	$ 227,347	$ 103,101	$ 26,463	$ 10,422	$ 3,045	$ 370,378
December 31, 2014						
Cost	$ 227,347	$ 166,118	$ 111,774	$ 58,174	$ 3,045	$ 566,458
Accumulated depreciation	-	(63,017)	(85,311)	(47,752)	-	(196,080)
Net Book Value	$ 227,347	$ 103,101	$ 26,463	$ 10,422	$ 3,045	$ 370,378

	Land	Buildings	Machinery and computer equipment	Miscellaneous equipment	Equipment prepayment	Total
January 1, 2013						
Cost	$ 227,347	$ 166,118	$ 88,037	$ 52,784	$ 1,444	$ 535,730
Accumulated depreciation	-	(57,574)	(79,891)	(51,110)	-	(188,575)
Net Book Value	227,347	108,544	8,146	1,674	1,444	347,155
Additions-Cost	-	-	84	2,496	19,041	21,621
Transfer-Cost	-	-	-	5,777	(5,777	-
Disposals-Cost	-	-	(1,848)	(4,109)	-	(5,957)
Disposals-Accumulated depreciation	-	-	1,848	4,109	-	5,957
Depreciation	-	(2,722)	(3,080)	(769)	-	(6,571)
December 31, 2013	$ 227,347	$ 105,822	$ 5,150	$ 9,178	$ 14,708	$ 362,205
December 31, 2013						
Cost	$ 227,347	$ 166,118	$ 86,273	$ 56,948	$ 14,708	$ 551,394
Accumulated depreciation	-	(60,296)	(81,123)	(47,770)	-	(189,189)
Net Book Value	$ 227,347	$ 105,822	$ 5,150	$ 9,178	$ 14,708	$ 362,205

All property and equipment were neither provided as collateral nor revalued.

(9) Investment property – net

	Land	Buildings	Total
January 1, 2014			
Cost	$ 2,204,894	$ 511,868	$ 2,716,762
Accumulated depreciation	-	(156,347)	(156,347)
Net Book Value	2,204,894	355,521	2,560,415
Depreciation	-	(10,663)	(10,663)
December 31, 2014	$ 2,204,894	$ 344,858	$ 2,549,752
December 31, 2014			
Cost	$ 2,204,894	$ 511,868	$ 2,716,762
Accumulated depreciation	-	(167,010)	(167,010)
Net Book Value	$ 2,204,894	$ 344,858	$ 2,549,752

	Land	Buildings	Total
January 1, 2013			
Cost	$ 2,204,894	$ 511,868	$ 2,716,762
Accumulated depreciation	-	(145,683)	(145,683)
Net Book Value	2,204,894	366,185	2,571,079
Depreciation	-	(10,664)	(10,664)
December 31, 2013	$ 2,204,894	$ 355,521	$ 2,560,415
December 31, 2013			
Cost	$ 2,204,894	$ 511,868	$ 2,716,762
Accumulated depreciation	-	(156,347)	(156,347)
Net Book Value	$ 2,204,894	$ 355,521	$ 2,560,415

A. All Investment property were not provided as collateral.

B. Rental income from the lease of the investment property for the years ended December 31, 2014 and 2013 were $108,093 thousand and $102,565 thousand, respectively.

C. The fair value of the investment property held by the Company as at December 31, 2014 and 2013 were $3,885,570 thousand and $3,878,229 thousand, respectively, which was revalued by independent valuers and based on the price with comprehensive reference to comparison approach and direct capitalization under income approach. Capitalization rate used in valuation was 1.77%~ 2.04%.

(10) Other assets – net

	December 31, 2014	December 31, 2013
Refundable deposits	$ 11,057	$ 11,257
Guarantee deposits held for operation and funds for security settlements	6,246	7,743
Other deferred assets	4,552	5,501
Others	3,656	3,146
Total	$ 25,511	$ 27,647

(11) Interbank overdraft and call loans

	December 31, 2014	Period	Interest Rate (%)
Bank overdrafts	$ 294,000	Nov.28.2014-Nov.28.2015(Note)	1.88
Call loans-NTD	15,600,000	Dec.19.2014-Jan.12.2015	0.56~0.66
Call loans-USD	32,613	Dec.30.2014-Jan.6.2015	0.60
Total	$ 15,926,613		

	December 31, 2013	Period	Interest Rate (%)
Bank overdrafts	$ 559,000	Nov.29.2013-Nov.29.2014(Note)	1.88
Call loans-NTD	20,700,000	Dec.12.2013-Jan.14.2014	0.41~0.44
Total	$ 21,259,000		

Note: Represents contract period.

A. Please refer to Note 7 for details of bank overdrafts and call loans granted by the related parties.

B. Please refer to Note 8 for details for collaterals provided for bank overdrafts and loans as of December 31, 2014 and 2013.

C. As of December 31, 2014 and 2013, call loans in USD amounted to US$1,030 thousand and US$0 thousand, respectively.

(12) Financial liabilities at fair value through profit or loss

	December 31, 2014	December 31, 2013
Fixed rate commercial paper purchased	$ 266	$ -
Derivative financial instruments	145	1,352
	$ 411	$ 1,352

The Company recognized net loss of $1,162 thousand and $525 thousand on financial liabilities held for trading for the years ended December 31, 2014 and 2013, respectively.

(13) Payables

	December 31, 2014	December 31, 2013
Bonus payable	$ 189,286	$ 197,528
Receipts under custody payable (Note)	100,511	109,788
Dividends and bonus payable	93,227	77,271
Interest payable	39,746	43,942
Payables of transactions under repurchase agreements on maturity	36,320	304,678
Payables of bonds and stocks settlement	6,673	35,587
Others	37,038	40,273
Total	$ 502,801	$ 809,067

Note: This represents withholding taxes on interest income from bills and bonds pertaining to former purchasers.

(14) Provisions for liabilities

	December 31, 2014	December 31, 2013
Reserve for guarantee liabilities	$ 2,411,870	$ 2,959,444
Liabilities reserve for employee benefits	363,099	322,864
Total	$ 2,774,969	$ 3,282,308

Movements in allowance and reserves for accounts receivable, overdue loans and guarantee liabilities are as follows:

	allowance for accounts receivable and overdue loans	Reserve for guarantee liabilities	Total
January 1, 2013	$ -	$ 2,999,660	$ 2,999,660
Provision (Reversal)	90,409	(3,748)	86,661
Write-off	(31,049)	-	(31,049)
Transfer	-	(36,468)	(36,468)
December 31, 2013	$ 59,360	$ 2,959,444	$ 3,018,804
January 1, 2014	$ 59,360	$ 2,959,444	$ 3,018,804
Provision (Reversal)	17,648	(544,281)	(526,633)
Write-off	(80,301)	-	(80,301)
Transfer	3,293	(3,293)	-
December 31, 2014	$ -	$ 2,411,870	$ 2,411,870

(15) Pensions

A. (A)The Company has established a defined benefit pension plan in accordance with the Labor Standards Act. In accordance with the plan, an amount equal to 8% of the total monthly payroll was contributed by the Company to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Benefits under this plan are calculated based on the number of years of service, salaries, meal allowances, overtime wages and other regular payments made in accordance with the Labor Standards Act. The maximum number of basic points used for the purpose of benefit calculation is limited to 61 points for employees who worked before April 30, 2005 and limited to 45 points for employees who worked after May 1, 2005.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2014	December 31, 2013
Present value of funded obligations	$ 645,916	$ 612,731
Fair value of plan assets	(277,330)	(281,779)
	368,586	330,952
Unrecognized past service cost	(5,487)	(8,088)
Net liability in the balance sheet	$ 363,099	$ 322,864

(C) Movements of present value of funded obligations as follows:

	For the years ended December 31, 2014	2013
Present value of funded obligations		
At January 1	$ 612,731	$ 670,048
Current service cost	18,949	20,646
Interest cost	10,161	8,843
Actuarial loss (profit)	48,135	(62,908)
Benefits paid	(44,060)	(23,898)
At December 31	$ 645,916	$ 612,731

Movements of fair value of plan assets as follows:

	For the years ended December 31, 2014	2013
Fair value of plan assets		
At January 1	$ 281,779	$ 267,464
Expected return on plan assets	4,467	3,549
Actuarial profit (loss)	2,033	(81)
Employer contributions	33,111	34,745
Benefits paid	(44,060)	(23,898)
At December 31	$ 277,330	$ 281,779

(E) Amounts of expenses recognized in comprehensive income statements are as follows:

	For the years ended December 31, 2014	2013
Current service cost	$ 18,949	$ 20,646
Interest cost	10,161	8,843
Expected return on plan assets	(4,467)	(3,549)
Prior service costs	2,601	2,601
Pension costs	$ 27,244	$ 28,541

(F) Cumulative actuarial losses/(gains) recognized in other comprehensive income as follows:

	For the years ended December 31, 2014	2013
Recognition for current period	($ 46,102)	$ 62,827
Accumulated amount	$ 15,510	$ 61,612

(G) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

For the years ended December 31, 2014 and 2013, the Company's actual returns on plan assets was $6,500 and $3,468, respectively.

The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2014	2013
Discount rate	1.70%	1.70%
Future salary increases	1.70%	1.16%
Expected return on plan assets	1.70%	1.70%

Assumptions regarding future mortality rate for 2014 and 2013 are set based on the 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

(I) Historical information of experience adjustments was as follows:

	For the year ended December 31,		
	2014	2013	2012
Present value of defined benefit obligation	$ 645,916	$ 612,731	$ 670,048
Fair value of plan assets	(277,330)	(281,779)	(267,464)
Deficit in the plan	$ 368,586	$ 330,952	$ 402,584
Experience adjustments on plan liabilities	($ 14,531)	($ 4,649)	$ 1,369
Experience adjustments on plan assets	$ 2,033	($ 81)	($ 1,348)

(J) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2014 amounts to $10,229 thousand.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2014 and 2013 were $4,160 thousand and $4,211 thousand, respectively.

(16) Capital stock

As of December 31, 2014 and 2013, the Company's paid-in capital was both $13,114,411 thousand, consisting of 1,311,441 thousand shares with a par value of $10 dollars per share.

(17) Share-based payment-employee compensation

A. As of November 1, 2013, Employee compensation from share-based payment below originated from the 10% of cash capital increase reserved for the Company's employee preemption, which was stipulated under Paragraph One, Article 267 of R.O.C. Company Act by the parent-Mega Financial Holding Co., Ltd.

Type of arrangement	Grant date	Quantity Granted (share)	Vesting Conditions
Cash capital increase reserved for employee preemption	November 1, 2013	2,340,000	Vested immediately

B. Capital surplus arising from share-based payment transactions is $8,106 thousand.

(18) Capital surplus

A. As required by Company Law, capital reserve of additional paid-in capital and income from donation after offsetting accumulated deficit, the legal reserve may be used exclusively to increase capital by issuing new shares or distribute cash dividends according to original shareholders in proportion to the number of shares being held by each of them given there is no accumulated deficit in a company. In addition, according to Securities and Exchange Act, the capital reserve used for capital increase shall not exceed 10% total paid-in capital. Unless the earnings reserve is insufficient to offset the capital deficit, the capital reserve shall not be used.

B. As of December 31, 2014 and 2013, the details of the Company's capital surplus is as follows:

	December 31, 2014	December 31, 2013
Share Premium	$ 312,823	$ 312,823
Share-based payment transactions	8,106	8,106
	$ 320,929	$ 320,929

(19) Retained earnings

	For the years ended December 31,	
	2014	2013
January 1	$ 17,386,645	$ 16,721,012
Profit for the period	3,000,847	2,630,483
Appropriation of earnings	(1,752,085)	(2,016,996)
Actuarial gain/loss on post employment benefit obligations net of tax	(38,265)	52,146
December 31	$ 18,597,142	$ 17,386,645

A. According to the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings (including reversible special reserve) are then distributed using the percentage ranging from 3% to 5% as bonuses to employees, and the remaining earnings plus prior year's accumulated unappropriated earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the Ordinary Stockholders' Meeting for approval. The total provision of bonuses to employees is at the Board's discretion and is distributed to employees after it is approved at the Ordinary Stockholders' Meeting.

B. Stock dividends are distributed by cash; however, the cash distribution ratio is adjusted based on the business development, plan on capital and other relevant factors.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. (A) Appropriation of 2013 and 2012 earnings as resolved by the Board of Directors on behalf of the stockholders on May 28, 2014 and May 7, 2013, respectively, were as follows:

	2013		2012	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 751,557		$ 864,290	
Cash dividends of stockholders	1,752,085	$ 1.336	2,016,996	$ 1.538
Cash bonus to employees (Note)	59,974		70,584	

Note: Cash bonus to employees has been recognized in operating expenses in the statement of comprehensive income instead of earnings distribution.

The difference between the cash bonus to employees and the recognized employee bonus expenses ($77,271 thousand and $100,834 thousand, respectively) for the years ended December 31, 2013 and 2012 amounted to $17,297 thousand and $30,250 thousand, respectively, and such difference was due to changes in the employee bonus ratio; the difference has been adjusted as profit or loss for 2014 and 2013, respectively.

(B) The appropriation of 2014 earnings resolved by the Board of Directors on March 14, 2015 is set forth follows:

	2014	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 889,239	
Cash dividends of stockholders	2,073,388	$ 1.581
Cash bonus to employees (Note)	64,322	

Note: Cash bonus to employees has been recognized in operating expenses in the statement of comprehensive income instead of earnings distribution.

F. The estimated amount of employee bonus as of December 31, 2014, amounted to $93,227 thousand. Considering net profit after tax at the end of the period and statutory reserve, the bonus to employees were recognized as expenses of the period based on the formula stated in the Company's Articles of Incorporation.

G. The status of the resolved earnings distribution and the bonus to employees by the Board of Directors exercised on behalf of the stockholders is available at the website of the Market Observation Post System provided by the Taiwan Stock Exchange.

(20) Interest income, net

	For the years ended December 31,	
	2014	2013
Interest income		
Interest income from bills	$ 1,196,363	$ 1,287,028
Interest income from bonds (Note)	1,567,736	1,541,677
Others	27,349	9,114
Subtotal	2,791,448	2,837,819
Interest expense		
Interest expense of bills payable under repurchase agreements	500,700	615,907
Interest expense of bonds payable under repurchase agreements	397,661	355,239
Interest expense of overdraft and call loans	81,590	86,894
Others	1,041	254
Subtotal	980,992	1,058,294
Net	$ 1,810,456	$ 1,779,525

Note: Including interest income of $60,762 thousand and $51,952 thousand from convertible bond asset swap recognized for the years ended December 31, 2014 and 2013, respectively.

(21) Service fee and commission income, net

	For the years ended December 31,	
	2014	2013
Service fee income from guarantee service	$ 534,272	$ 483,069
Service fee income from certification service	56,596	54,470
Service fee income from underwriting service	252,756	138,819
Others	54,867	40,189
Subtotal	898,491	716,547
Service fee expense	(10,607)	(10,223)
Net	$ 887,884	$ 706,324

(22) Gain or loss from financial assets and liabilities at fair value through profit or loss

	For the years ended December 31,	
	2014	2013
Realized (Loss) Gain		
Bills	$ 396,425	$ 371,870
Bonds	12,466	5,518
Derivatives	(2,369)	(2,337)
Others	-	(19)
Subtotal	406,522	375,032
Valuation (Loss) Gain		
Bills	3,110	(3,428)
Bonds(Note)	17,245	(15,898)
Derivatives	1,175	(24)
Others	2,000	174
Subtotal	23,530	(19,176)
Total	$ 430,052	$ 355,856

Note: Including gain (loss) of $14,984 thousand and ($16,166) thousand on convertible bond asset swap recognized for the years ended December 31, 2014 and 2013, respectively.

(23) Realized gain or loss on available-for-sale financial assets

	For the years ended December 31,	
	2014	2013
Dividends income	$ 103,253	$ 103,979
Stocks	164,538	399,863
Bonds	21,450	146,709
Total	$ 289,241	$ 650,551

(24) Provisions

	For the years ended December 31,	
	2014	2013
Bad debt recovery	($ 134,332)	($ 264,400)
(Reversal) provision for guarantee reserve	(526,633)	86,661
Total	($ 660,965)	($ 177,739)

(25) Employee benefit

	For the years ended December 31, 2014	2013
Wages and salaries	$ 482,122	$ 467,843
Labor and health insurance fees	23,384	23,540
Pension costs	31,404	32,752
Other Employee benefits	18,282	26,012
Total	$ 555,192	$ 550,147

(26) Depreciation and amortization

	For the years ended December 31, 2014	2013
Depreciation	$ 18,705	$ 17,235
Amortization	3,244	3,248
Total	$ 21,949	$ 20,483

(27) Other business and administrative expenses

	For the years ended December 31, 2014	2013
Tax and official fee	$ 68,769	$ 65,542
Rental expenses	49,298	48,939
Professional expense	9,147	10,856
Repairs and maintenance	4,044	8,314
Others	71,959	71,451
Total	$ 203,217	$ 205,102

(28) Income taxes

A. Components of income tax expense:

(A)Components of income tax expense:

	For the years ended December 31, 2014	2013
Current tax:		
Current tax on profits for the period	$ 439,177	$ 435,433
Adjustments in respect of prior years	(15,219)	(12,273)
Total current tax	423,958	423,160
Deferred tax:		
Origination and reversal of temporary differences	2,507	558
Total deferred tax	2,507	558
Income tax expense	$ 426,465	$ 423,718

(B) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2014	2013
Actuarial gains/losses on defined benefit obligations	$ 7,837	($ 10,681)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2014	2013
Tax calculated based on profit before tax and statutory tax rate	$ 582,643	$ 519,214
Effects from items disallowed by tax regulation	(97,398)	19,912
Effects from tax exempt income	(43,561)	(103,135)
Prior year income tax (over) underestimate	(15,219)	(12,273)
Tax expense	$ 426,465	$ 423,718

C. Temporary differences resulting in deferred income tax assets or liabilities as of December 31, 2014 and 2013:

	For the year ended December 31, 2014			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Pension unfunded	$ 84,543	($ 997)	$ 7,837	$ 91,383
Others	4,487	(782)	-	3,705
Subtotal	89,030	(1,779)	7,837	95,088
- Deferred tax liabilities:				
Others	(62)	(728)	-	(790)
Total	$ 88,968	($ 2,507)	$ 7,837	$ 94,298

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Pension unfunded	$ 96,279	($ 1,055)	($ 10,681)	$ 84,543
Others	3,928	559	-	4,487
Subtotal	100,207	(496)	(10,681)	89,030
- Deferred tax liabilities:				
Others	-	(62)	-	(62)
Total	$ 100,207	($ 558)	($ 10,681)	$ 88,968

D. As of December 31, 2014, the Company’s income tax returns through 2008 had been assessed by the Tax Authorities.

E. The Company’s income tax returns are filed jointly with Mega Holding, the Company’s parent company, and its other subsidiaries starting 2003. As of December 31, 2014 and 2013, current income tax liabilities on the joint filing of income tax returns amounted to $74,713 thousand and $124,310 thousand, respectively.

F. Unappropriated retained earnings

As of December 31, 2014 and 2013, unappropriated retained earnings were both originated after 1998.

G. As of December 31, 2014 and 2013, the balance of the imputation tax credit account was $16,044 thousand and $16,017 thousand, respectively. The creditable tax rate was 0.67% for 2013 and is estimated to be 0.54% for 2014.

(29) Earnings per share

	2014		
	Amount after tax	Weighted-average number of shares outstanding (share in thousands)	Basic and diluted earnings per share (In dollars)
Net income	$ 3,000,847	1,311,441	$ 2.29

	2013		
	Amount after tax	Weighted-average number of shares outstanding (share in thousands)	Basic and diluted earnings per share (In dollars)
Net income	$ 2,630,483	1,311,441	$ 2.01

7. RELATED PARTY TRANSACTIONS

(1) Names of the related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Mega Financial Holding Co., Ltd. (Mega Holding)	The Company’s parent company
Chunghwa Post Co., Ltd. (Chunghwa Post)	The director of the Company’s parent company
Bank of Taiwan (BOT)	The director of the Company’s parent company
Mega International Commercial Bank Co., Ltd (MICB)	Subsidiary of Mega Holding
Mega Securities Co., Ltd. (MS)	Subsidiary of Mega Holding
Mega International Investment Trust Co., Ltd (MIIT)	Subsidiary of Mega Holding
Chung Kuo Insurance Co., Ltd. (CKI)	Subsidiary of Mega Holding
Mega Asset Management Co., Ltd. (MAM)	Subsidiary of Mega Holding
Mega Diamond Money Market Fund	Fund issued by subsidiaries of Mega Holding
Mega China A Share Equity Fund	Fund issued by subsidiaries of Mega Holding
Mega RMB Money Market Fund	Fund issued by subsidiaries of Mega Holding
Others	The Company’s directors, supervisors, general managers, vice general managers, assistant managers, managers, and near kindred of the Company’s directors, supervisors, general managers, and vice general managers.

(2) Significant transactions and balances with related parties

A. Bank deposits

	December 31, 2014		
	Demand deposits	Checking deposits	Total
Management of the parent			
BOT	$ 23,243	$ 48,767	$ 72,010
Fellow subsidiary			
MICB	60,121	51,718	111,839
Total	$ 83,364	$ 100,485	$ 183,849

	December 31, 2013		
	Demand deposits	Checking deposits	Total
Management of the parent			
BOT	$ 18,174	$ 56,168	$ 74,342
Fellow subsidiary			
MICB	339,248	66,358	405,606
Total	$ 357,422	$ 122,526	$ 479,948

The above-mentioned bank deposits include the designated accounts for allowance to pay back short-term bills.

B. Interbank overdraft and call loans

	For the year ended December 31, 2014			
	Highest Balance	Ending Balance	Interest Rate(%)	Interest Expense
Bank overdrafts				
Management of the parent				
BOT	$ 1,224,000	$ 294,000	1.88	$ 10,662
Call loans				
Management of the parent				
Chunghwa Post	6,300,000	-	0.39~0.54	3,455
BOT	3,560,291	2,500,000	0.40~4.00(Note 1)	4,703
Fellow subsidiary				
MICB	4,500,000	3,000,000	0.405~4.30(Note 2)	7,857
Total		$ 5,794,000		$ 26,677

(Note1)Interest rates for call loans denominated in NTD and foreign currency were 0.41%~0.61% and 0.40%~4.00%, respectively.

(Note2)Interest rates for call loans denominated in NTD and foreign currency were 0.405%~0.66% and 0.48%~4.30%, respectively.

	For the year ended December 31, 2013			
	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
Bank overdrafts				
Management of the parent				
BOT	$ 932,000	$ 559,000	1.88	$ 10,720
Call loans				
Management of the parent				
Chunghwa Post	11,500,000	600,000	0.42~0.81	6,365
BOT	3,500,000	3,500,000	0.40~0.46	6,680
Fellow subsidiary				
MICB	7,800,000	2,200,000	0.41~0.51	8,766
Total		$ 6,859,000		$ 32,531

Interest rates for call loans applied to the related parties are the same as those offered to other financial institutions.

C. Purchase of bills and bonds

	For the years ended December 31,	
	2014	2013
Ultimate parent		
Mega Holding	$ 22,334,888	$ 11,991,983
Management of the parent		
Chunghwa Post	-	49,991
Fellow subsidiary		
MS	15,798,792	1,856,665
Total	$ 38,133,680	$ 13,898,639

The terms of the above transactions are the same as those with non-related parties.

D. Sale of bills and bonds

	For the year ended December 31, 2014	
	Amount	Gain or loss from financial assets and liabilities at fair value through profit or loss
Management of the parent		
Chunghwa Post	$ 101,367,030	$ 20,313
BOT	13,295,718	1,450
Fellow subsidiary		
MICB	346,745,413	105,921
MS	99,734	1
Other related parties		
Mega Diamond Money Market Fund	17,976,215	7,093
Total	$ 479,484,110	$ 134,778

	For the year ended December 31, 2013	
	Amount	Gain or loss from financial assets and liabilities at fair value through profit or loss
Management of the parent		
Chunghwa Post	$ 141,362,479	$ 38,777
BOT	23,206,243	5,960
Fellow subsidiary		
MICB	183,574,531	50,821
MS	398,208	(263)
Other related parties		
Mega Diamond Money Market Fund	1,982,290	(70)
Total	$ 350,523,751	$ 95,225

The terms of the above transactions are the same as those with non-related parties.

E. Financial assets at fair value through profit or loss

The Company's short-term bills issued by related parties are as follows:

December 31, 2014 : None.

	December 31, 2013					
	Type of instrument	Issuance date	Maturity date	Interest rate (%)	Face value	Cost
Fellow subsidiary						
MS	Commercial papers	2013.12.06	2014.01.24	0.98	$900,000	$899,302
MICB	Negotiable certificates of deposit	2013.06.25	2014.06.28	1.30	4,000	3,971

F. Bills and bonds under repurchase agreements

	For the year ended December 31, 2014		
	Amount	Ending balance	Interest expense
Ultimate parent			
Mega Holding	$ 899,089	$ -	$ 318
Management of the parent			
BOT	6,232,654	-	2,793
Fellow subsidiary			
MS	5,946,183	149,584	935
MIIT	64,875	17,977	29
CKI	2,425,360	259,714	454
Other related parties			
Mega Diamond Money Market Fund	2,198,915	-	494
Mega China A Share Equity Fund	950,024	-	70
Mega RMB Money Market Fund	84,296	-	69
Others	543,862	10,000	65
Total	$ 19,345,258	$ 437,275	$ 5,227

	For the year ended December 31, 2013		
	Amount	Ending balance	Interest expense
Ultimate parent			
Mega Holding	$ 99,929	$ -	$ 4
Management of the parent			
BOT	25,634,801	509,568	9,489
Fellow subsidiary			
MS	3,141,643	150,289	166
Other related parties			
Mega Diamond Money Market Fund	2,200,018	-	73
Others	683,802	10,000	80
Total	$ 31,760,193	$ 669,857	$ 9,812

The terms of the above transactions are the same as those with non-related parties.

G. Guarantees provided to related parties

	For the year ended December 31, 2014					
	Highest Balance	Ending Balance	Allowance for doubtful accounts and reserves for guarantee liabilities	Rates (%)	Pledged Asset	Fees income
Fellow subsidiary MAM	$ 515,000	$ 420,000	$ 4,200	1.07~1.15	Real estate	$ 2,163

	For the year ended December 31, 2013					
	Highest Balance	Ending Balance	Allowance for doubtful accounts and reserves for guarantee liabilities	Rates (%)	Pledged Asset	Fees income
Fellow subsidiary MAM	$ 515,000	$ -	$ -	1.05	Real estate	$ 859

The terms of the above commercial paper issuance guarantees are the same as those with non-related parties.

H. The issuance of non-guaranteed commercial papers from consigned related parties

	For the year ended December 31, 2014			
	Highest Balance	Ending Balance	Rates (%)	Fees income
Ultimate parent Mega Holding	$ 3,600,000	$ -	0.88~0.92	$ 825
Fellow subsidiary MS	$ 2,000,000	-	0.94~1.00	1,468
		$ -		$ 2,293

	For the year ended December 31, 2013			
	Highest Balance	Ending Balance	Rates (%)	Fees income
Ultimate parent Mega Holding	$ 3,600,000	$ -	0.89~1.02	$ 166
Fellow subsidiary MS	$ 900,000	900,000	1.00~1.02	29
		$ 900,000		$ 195

The terms of the above non-guaranteed commercial papers are the same as those with non-related parties.

I. Collaterals provided to related parties for bank overdrafts

	Pledged Asset	December 31, 2014	December 31, 2013
Management of the parent			
BOT	Financial assets at fair value through profit or loss - negotiable certificates of time deposit	$ 701,202	$ 700,855
	Available-for-sale financial assets - government bonds	1,264,084	1,269,662
	Available-for-sale financial assets - corporate bonds	753,366	752,779
Fellow subsidiary			
MICB	Financial assets at fair value through profit or loss - negotiable certificates of time deposit	200,365	-
	Available-for-sale financial assets - government bonds	2,339,671	2,264,797
		$ 5,258,688	$ 4,988,093

J. Assets provided as operating deposits for securities firm:

	Pledged Asset	December 31, 2014	December 31, 2013
Management of the parent			
BOT	Available-for-sale financial assets - government bonds	$ 91,010	$ 96,051

K. Service fee expenses

The Company underwrote the short-term securities guaranteed by the Mega Financial Holdings' subsidiary, MICB, and the service fee expenses are as follows:

	For the years ended December 31, 2014	For the years ended December 31, 2013
Fellow subsidiary		
MICB	$ 261	$ 413

L. Leasehold income

Lessee	Leased Property	Period	For the years ended December 31, 2014	For the years ended December 31, 2013
Fellow subsidiary				
MICB	Office and parking lots	Jan. 1, 2013 - Dec. 31, 2015	$ 84,246	$ 84,246
CKI	Office	Dec. 1, 2011-Nov. 30, 2016	1,030	1,023
			$ 85,276	$ 85,269

(A) The Company rented office space in Mega Financial Holding's building in Taipei City to MICB for office use. The lease agreement was signed for the period from January 1, 2013 to December 31, 2015 with the $14,041 thousand deposit already received.

(B) The Company’s Sanchong branch rented the storage house to CKI for office use. The lease agreement was signed for the period from December 1, 2011 to November 30, 2016 with the $170 thousand dollar deposit already received.

(C) The rent is determined based on the comparable rental expense in the surrounding area.

M. Rental expenses

Lessor	Rental Property	Period	For the years ended December 31 2014	2013
Fellow subsidiary				
MICB	Office	Jan. 1, 2013-Dec. 31, 2015	$ 35,121	$ 35,121
MICB	Office	Jan. 1, 2014-Feb. 28, 2015	756	756
CKI	Warehouse	Dec. 1, 2011-Nov. 30, 2016	314	312
			$ 36,191	$ 36,189

(A) The Company rented partial office space located at HengYang Rd., Taipei City from MICB. The lease agreement was signed for the period from January 1, 2013 to December 31, 2015 with the $5,853 thousand deposit already paid.

(B) The Company’s Chiayi Branch rented part of an office space from Chaixing branch of MICB. The lease agreement was signed for the period from January 1, 2014 to February 28, 2015 with $189 thousand deposit paid.

(C) The Company rented Keelung lodge from CKI for file storage. The lease agreement was signed for the period from December 1, 2011 to November 30, 2016 with the $52 thousand deposit already paid.

(D) The rent is determined based on the comparable rental expense in the surrounding area.

N. Insurance expenses

	For the years ended December 31, 2014	2013
Fellow subsidiary		
CKI	$ 3,414	$ 3,525

(3) Information on remunerations to the Company’s directors, supervisors, general managers and assistant general manager:

	For the years ended December 31, 2014	2013
Salaries and other short-term employee benefits	$ 31,246	$ 30,738
Post-employment benefits	721	646
	$ 31,967	$ 31,384

8. PLEDGED ASSETS

The Company has pledged the following assets as collaterals for bank overdrafts, call loans and refundable deposit.

	December 31, 2014	December 31, 2013	Secured for
Financial asset at fair value through profit or loss - negotiable certificates of time deposit	$ 11,805,879	$ 13,007,071	Collateral for Central bank and other banks' overdraft
Available-for-sale financial assets - government bonds	7,651,453	7,628,529	Operating bond for bills and securities firms, and reserve for GTSM Electronic Bond Trading System (EBTS) and bank overdraft and call loan collateral
Available-for-sale financial assets - corporate bonds	753,366	752,779	Bank overdraft
Other financial assets- certificate of deposit pledged	400,000	900,000	Bank overdraft
Total	$ 20,610,698	$ 22,288,379	

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2014 and December 31, 2013, the commitments and contingencies arising from the Company's normal course of business were as follows:

	December 31, 2014	December 31, 2013
Securities bills and bonds investment with resale agreements	$ 9,805,054	$ 1,966,157
Securities bills and bonds payable under repurchase agreements	163,777,891	163,869,633
Guarantees on commercial papers	145,710,300	142,710,000
Fixed rate commercial paper purchased	7,570,000	4,406,000
Fixed rate commercial paper sold	-	600,000
Index rate commercial paper purchased	21,360,000	27,660,000
Index rate commercial paper sold	1,650,000	1,150,000

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. FINANCIAL INSTRUMENTS

(1) Fair value and level information of financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the

Company's financial instruments not measured at fair value (including cash and cash equivalents, bills and bonds investment with resale agreements, accounts receivable, certificate of deposit pledged, designated account for allowance to pay back short-term bills, guarantee deposits held for operation and funds for security settlements, refundable deposits, interbank overdraft and call loans, bills and bonds payable under repurchase agreements, payables, and other liabilities) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(1)B:

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-to-maturity financial assets	$ 850,000	$ 857,900	$ 500,000	$ 503,882

B. Level information of financial instruments at fair value and Fair value estimation

(A) Three definitions of the Company's financial instruments at fair value

a. Level 1

If the market for the financial instrument is active, the fair value of the financial instrument is represented by the quoted prices of the same instruments. An active market refers to a market that meets all of the following conditions: The goods traded in the market are homogeneous, willing sellers and buyers can be found at the same time, and the price information is available to the public.

b. Level 2

Observable prices other than the quoted prices in an active market comprise direct (e.g. prices) or indirect (e.g. introduced by prices) observable inputs obtained from an active market.

c. Level 3

The inputs adopted to measure fair value at this level are not based on available data from the markets. No financial instrument measured at fair value owned by the Company is included in level 3.

(Blank Below)

(B) Information of fair value hierarchy of financial instruments

Unit: In thousand of New Taiwan dollars

Non-derivative Financial Instruments	December 31, 2014 Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Investment in stock	$ 14,100	$ 14,100	$ -	$ -
Investment in bills	112,865,821	-	112,865,821	-
Investment in bonds	348,820	-	348,820	-
Financial assets designated as at fair value through profit or loss on initial recognition	3,797,875	-	3,797,875	-
Available-for-sale financial assets				
Investment in stock	2,323,913	2,323,913	-	-
Investment in bonds	80,139,042	1,007,541	79,131,501	-
Beneficiary or asset-backed securities	870,925	-	870,925	-
Liabilities				
Financial liabilities at fair value through profit or loss	266	-	266	-
Derivative Financial Instruments				
Liabilities				
Financial liabilities at fair value through profit or loss	$ 145	$ -	$ 145	$ -

Non-derivative Financial Instruments	December 31, 2013 Total	Level 1	Level 2	Level 3
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Investment in bills	$ 129,715,513	$ -	$ 129,715,513	$ -
Investment in bonds	195,576	-	195,576	-
Financial assets designated as at fair value through profit or loss on initial recognition	3,174,591	-	3,174,591	-
Available-for-sale financial assets				
Investment in stock	2,662,009	2,662,009	-	-
Investment in bonds	77,054,634	-	77,054,634	-
Beneficiary or asset-backed securities	411,159	-	411,159	-
Derivative Financial Instruments				
Assets				
Financial assets at fair value through profit or loss	$ 31	$ -	$ 31	$ -
Liabilities				
Financial liabilities at fair value	1,352	-	1,352	-

through profit or loss

(C) The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company's stocks, funds, benchmark bonds with transaction price, and the derivatives with a quoted price in an active market, are all included in level 1.

Fair values of stocks (excluding emerging stocks) listed on the Taiwan Stock Exchange or Over-The-Counter (hereinafter OTC) are determined by the closing price at the balance sheet date. Fair values of open-ended funds are determined by the net asset value at the balance sheet date. Fair value of benchmark bond is determined by the transaction price at the balance sheet date for fair value of bonds of different maturities bulletined by OTC. Fair values of derivatives traded on the Taiwan Futures Exchange are determined by the closing prices at the balance sheet date.

(D) If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If non-derivatives held by the Company have no active market, a valuation technique or quoted price offered by the counterparties will be adopted to measure their fair values. The fair value obtained through the valuation technique may take reference to the current fair value of other financial instruments with similar characteristics and actual terms, discounted cash flow method, or other valuation techniques, including the available market information obtained through the exercise of model calculations at the balance sheet date. When assessing non-standardized financial instruments with lower complexity, such as interest rate swaps, currency swaps and options, the Company adopts the valuation technique generally accepted by market users. The inputs used in the valuation models for these kinds of financial instruments are generally observable information in the market.

Bills and bonds (except for benchmark bonds with transaction price), fixed income securities, and derivatives (except for those traded in Taiwan Futures Exchange) are all included in level 2.

Fair values of short-term bills are determined by the secondary trading's offered rate index indicated by quotation's interest rate index. Government bonds are valued by the fair values of government bonds fair value offered by OTC at the balance sheet date; financial bonds, corporate bonds, foreign currency bonds and marketable securities of fixed income are valued by the corporate bonds reference rates or the volume-weighted average yield/price offered by OTC. The Company used the evaluation system for interest rate swaps, currency swaps, convertible corporate bond asset swaps and fixed rate commercial papers. Fair values are determined by individual contracts. The yield curve used in calculating fair values of instruments with maturity within one year is based on the offered rate by the Reuters; those with maturity above one year is based on the middle price of the Reuters. The exchange rate adopted is the spot middle rate of the Megabank and the Bank of Taiwan.

(E) There was no significant transfer between level 1 and level 2 for the years ended December 31, 2014 and 2013.

(F) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. No financial instrument measured at fair value is included in level 3.

13. THE MANAGEMENT OBJECTIVES AND POLICIES OF FINANCIAL RISKS

(1) Overview

Except for complying with the laws and regulations, the Company's risk management aims to confine various operating risks to the tolerable scopes, maintain sound capital adequacy ratio, and pursue sustainable development. In order to maintain asset security and financial quality, risk management system was established for all employees to follow and work accordingly. With respect to various businesses, the Company established risk management mechanism for identification, measurement, supervision, and reporting purpose and set up relevant control methods such as specific risk management objectives, warning, and stop-loss limit.

The Company's activities expose it to a variety of financial risks: credit risk, market risk liquidity risk and operating risk. Market risk including interest rate risk, price risk and foreign exchange risk.

(2) The organization framework of risk management

The Company's Board of Directors has the ultimate approval right in risk management. Major management risk items that include the Company-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. Risk management committee established under the jurisdiction of general manager is responsible for examination of business risks such as credit risk, market risk, and operational risk and supervision of enforcement of risk management objectives. Credit management company and stock investment company were also set up under the jurisdiction of general manager to respectively examine and manage risks relevant to credit and investment transactions. Department of risk management is responsible for supervision of overall risk positions and concentration, assessment of capital adequacy, and submitting reports concerning enforcement of various risk management objectives to the Board of Directors. Besides, relevant risk management affairs are planned, supervised, or implemented in accordance with regulations by regulatory authorities and Mega Financial Holding Co., Ltd.

The Company also set up an audit department responsible for audit and assessment of internal control system to ensure sustained and effective implementation.

(3) Credit risk

A. The source and definition of credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. Credit risk faced by the Company may arise from accounts in and off the balance sheet. For accounts balance sheet, credit risk mainly arises from debt instruments investment and derivatives. Off balance sheet accounts mainly comprise financial guarantees.

Above-mentioned financial guarantees refer to guarantees for underwriting of commercial papers issued. Such guarantees agreement normally comes with a 1 year expiration period. The range of contract period for commercial papers is normally from 10 days to 180 days and the expiration dates are not concentrated on the same day.

B. Credit risk management policies

(A) Policy and procedure

The Company's credit risk management aims to control risk of loss from borrower or counterparty default because their financial status worsened or for other reasons and fails to fulfill the contract obligations. The Company established credit risk management standard and mechanism to ensure the credit risk is controlled within the tolerable scope. In avoidance of high risk concentration, the Company established summary of regulations governing credit risk concentration to define concentration limits by client (including the same person, the same company), location and country risk and set up early-warning indicator and monitoring mechanism.

a. Credit extensions

(a)The Company set up regulations governing credit risk to define ratio of credit ceiling by industry, ratio of credit ceiling on specific security requirements, and administration of limit on credit risk acceptance.

(b)The Company set up "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" and evaluation method of asset quality and classification with regular review to check up on provision of allowance for losses.

b. Investments in financial instruments

Financial instruments held by the Company are mainly classified by credit ratings of counterparties. The Company regularly reviews, checks, and evaluates changes in the credit ratings to enhance control over credit risk taken by the Company. The Company also established rules governing control over credit risk on non-government bonds purchased to define administration of setting limits under credit ratings of bond debtor (issuer or guarantor) or specific debt.

(B) Measurement method

The Company's credit risk measurement system and statement comprises summary of total exposure to credit risk and management reports of ratio of overdue credits, credit ceiling by industry, underwriting limits for guarantee, credit ceiling for a single entity, the same associates, and the same related parties.

C. Policies of hedging and mitigation of credit risk

(A) Collaterals

The Company's credit extension cases are processed following the procedure of credit extension and checking. According to the client's financial position and credit status, the Company may consider obtaining collaterals and guarantors and setting of notices for handling of credit review to enhance management upon credit extension.

(B) Credit risk limit and credit risk concentration control

The Board of Directors assesses the annual risk management objectives concerning credit extension business, including ratio of overdue credits, coverage ratio of overdue credits, limit control over industry credit, specific security requirements, and the same entity or company's investments. Risk control department analyzes details of credit asset quality and credit risk concentration and reports to the general manager on a monthly basis. Risk control department also reports exposure to credit extension business, credit risk concentration, and enforcement of risk management objectives to the risk management committee and the Board of Director on a quarterly basis.

D. Maximum credit risk exposure

(A) The maximum exposure to credit risk of assets in the balance sheet, without consideration of the collateral or other credit strengthening instruments, is equivalent to the carrying amount.

(B) As of December 31, 2014 and 2013, the off-balance sheet contract amount for the guarantees of commercial papers subject to potential credit risks is NT$279,967 million and NT$282,828 million, respectively (The contract amount which has been drawn upon amounted to NT$145,710 million and NT$142,710 million, respectively).

(C) Since the Company is only subject to payments in the event of default on the issuer of commercial papers in such guarantee contracts, the contract amount for such financial instruments does not represent the expected future cash outflow. In fact, the demand for future cash flow is less than the contract amount. When the guaranteed amount had been drawn upon and the underlying collateral or other collaterals has completely lost its values, the amount of credit risk exposure will equal to the contract amount which is the maximum potential loss.

(D) In granting guarantees for the issuance of commercial papers, the Company undertakes strict credit assessment and also demands appropriate collaterals from the customers as necessary. As of December 31, 2014 and 2013, the percentage of guarantees with collaterals is 63.70% and 63.46%, respectively. Collaterals provided normally include real estate properties, circulating securities or other properties, etc. In the event of customer defaults, the Company assumes rights on such collaterals.

(E) For all financial instruments held by the Company, the maximum credit exposures are as follows:

Financial instruments	December 31, 2014 Carrying value	December 31, 2014 Maximum credit exposure risk
Financial assets at fair value through profit or loss	$ 117,012,516	$ 117,012,516
Available-for-sale financial assets	81,009,967	81,009,967
Bills and bonds investment with resale agreements	9,805,054	9,805,054
Receivables	1,004,365	1,004,365
Held-to-maturity financial assets	850,000	850,000
Other financial assets	457,952	457,952
Off-balance sheet guarantees	-	145,710,300
Total	$ 210,139,854	$ 355,850,154

Financial instruments	December 31, 2013 Carrying value	December 31, 2013 Maximum credit exposure risk
Financial assets at fair value through profit or loss	$ 133,085,711	$ 133,085,711
Available-for-sale financial assets	77,465,793	77,465,793
Bills and bonds investment with resale agreements	1,966,157	1,966,157
Receivables	1,072,383	1,072,383
Held-to-maturity financial assets	500,000	500,000
Other financial assets	959,400	959,400
Off-balance sheet guarantees	-	142,710,000
Total	$ 215,049,444	$ 357,759,444

E. Credit risk concentration

There will be a significant concentration of credit risk when the counterparty of the financial instruments is highly concentrated in a single customer or a company of counterparties who engage mostly in similar business activities with similar economic nature, and such business activities make their abilities to fulfill the contractual obligations influenced similarly by the economic affairs or other situations. The Company does not engage in transactions that are concentrated significantly in a single customer or counterparty. However, significant credit risk concentrations for provision of guarantees for commercial papers are as follows:

(A) Industry (guarantee service)

	December 31, 2014		December 31, 2013	
	Amount	Ratio(%)	Amount	Ratio(%)
Financial & insurance	$ 44,911,700	30.82	$ 44,190,500	30.97
Manufacturing	38,589,000	26.48	38,317,900	26.85
Real estate	32,808,600	22.52	31,323,400	21.95
Wholesale & retail	10,133,600	6.95	11,159,000	7.82
Others – less than 5% of balance of guarantees at period end	19,267,400	13.23	17,719,200	12.41
Total	$ 145,710,300	100.00	$ 142,710,000	100.00

(B) Collateral (guarantee service)

	December 31, 2014		December 31, 2013	
	Amount	Ratio(%)	Amount	Ratio(%)
Unsecured	$ 52,888,570	36.30	$ 52,146,714	36.54
Secured	92,821,730	63.70	90,563,286	63.46
Secured by stocks	29,611,161	20.32	28,618,415	20.05
Secured by bonds	4,840,068	3.32	4,952,537	3.47
Secured by real estate	54,207,405	37.20	52,620,915	36.87
Others	4,163,096	2.86	4,371,419	3.07
Total	$ 145,710,300	100.00	$ 142,710,000	100.00

F. Financial assets credit quality and analysis of past due and impairment

Financial assets held by the Company mainly comprise financial assets at fair value through profit or loss, bills and bonds investment with resale agreements, available-for-sale financial assets, held-to-maturity financial assets, and financial assets measured at cost. Most of these assets have sound and satisfactory asset quality.

For the Company's classification of asset quality, credit asset quality is based on the Company's internal credit rating (categorized into thirteen levels). Other financial asset quality is based on the external credit rating of counterparty, which is categorized into four levels: sound, satisfactory, fair, and weak.

Each of these four levels has internal and external credit rating equivalents in the following table:

	Equivalent default rate	Internal credit rating	Corresponding to S&P	Corresponding to Taiwan Ratings (long-term)
Sound	Below 0.4% (included)	1~5	AAA~BBB-	twAAA ~ twA
Satisfactory	0.4% above ~1.68%(included)	6~8	BB+~ BB-	twA- ~ twBBB-
Fair	1.68% above ~4.3%(included)	9~10	B+	twBB+
Weak	4.3% above	11~13	B and below	twBB and below

(Blank Below)

(A) Credit quality analysis on securities investment

Financial assets	December 31, 2014 Neither past due nor impaired: Excellent	Satisfactory	Fair	Weaker	No rating(note)	Past due but not impaired	Impaired	Total	Reserve for losses	Net amount
Financial assets at fair value through profit or loss										
Investment in bills	$ 59,805,118	$ 36,889,593	$ 12,666,208	$ 2,985,676	$ 519,226	$ -	$ -	$ 112,865,821	$ -	$ 112,865,821
Investment in bonds	716,131	585,786	-	-	2,844,778	-	-	4,146,695	-	4,146,695
Bills and bonds investment with resale agreements	7,452,534	2,352,520	-	-	-	-	-	9,805,054	-	9,805,054
Available-for-sale financial assets										
Investment in bonds	75,982,603	4,156,439	-	-	-	-	-	80,139,042	-	80,139,042
Beneficiary or asset-backed securities	870,925	-	-	-	-	-	-	870,925	-	870,925
Held-to-maturity financial assets	250,000	600,000	-	-	-	-	-	850,000	-	850,000
Financial assets carried at cost	-	-	-	-	-	-	600,900	600,900	398,700	202,200

Financial assets	December 31, 2013 Neither past due nor impaired: Excellent	Satisfactory	Fair	Weaker	No rating(note)	Past due but not impaired	Impaired	Total	Reserve for losses	Net amount
Financial assets at fair value through profit or loss										
Investment in bills	$ 72,135,593	$ 41,055,602	$ 12,652,039	$ 3,557,590	$ 314,689	$ -	$ -	$ 129,715,513	$ -	$ 129,715,513
Investment in bonds	1,136,070	960,410	-	-	1,273,687	-	-	3,370,167	-	3,370,167
Derivatives	31	-	-	-	-	-	-	31	-	31
Bills and bonds investment with resale agreements	1,966,157	-	-	-	-	-	-	1,966,157	-	1,966,157
Available-for-sale financial assets										
Investment in bonds	72,896,239	4,158,395	-	-	-	-	-	77,054,634	-	77,054,634
Beneficiary or asset-backed securities	411,159	-	-	-	-	-	-	411,159	-	411,159
Held-to-maturity financial assets	-	500,000	-	-	-	-	-	500,000	-	500,000
Financial assets carried at cost	-	-	-	-	-	-	600,900	600,900	398,700	202,200

Note: Bills without ratings are mainly guaranteed bills, which do not have credit ratings as they are newly formed businesses and no complete annual financial reports are available. Bonds without ratings are mainly convertible corporate bonds listed and traded through the open market.

(B) Credit quality analysis on credit business

There was no accounts receivable as of December 31, 2014.

Financial assets	Neither past due nor impaired	Past due but not impaired	Impaired	Total	Recognized losses/reserves	Net amount
December 31, 2013						
Receivables	$ -	$ -	$ 77,000	$ 77,000	$ 59,360	$ 17,640

G. Analysis of impaired financial assets of the Company

Financial assets	Carrying amount prior to recognition of impairment loss	Amount of the impairment loss	Carrying amount after recognition of impairment loss	Available collateral and other credit strengthening collateral
December 31, 2014				
On-balance sheet accounts				
Financial assets carried at cost	$ 600,900	$ 398,700	$ 202,200	
December 31, 2013				
On-balance sheet accounts				
Receivables	$ 77,000	$ 59,360	$ 17,640	Real estate and unlisted stocks
Financial assets carried at cost	600,900	398,700	202,200	

H. The following information is disclosed in accordance with "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies".

(A) Asset quality

Items	December 31, 2014	December 31, 2013
Guarantees in arrear and guaranteed credits overdue for no longer than three months	$ -	$ 77,000
Overdue credits (including overdue receivables)	-	-
Loans under surveillance	-	354,000
Overdue receivables	-	-
Ratio of overdue credits (%)	-	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	-	0.25
Provision for bad debts and guarantees as required by regulation	2,188,546	2,896,849
Provision for bad debts and guarantees actually reserved	2,411,870	3,018,804

Note: Items follow "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt".

(B) Primary business activities

Items	December 31, 2014	December 31, 2013
Total guarantees and endorsement for short-term bills	$ 145,710,300	$ 142,710,000
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.92	4.75
Total bills and bonds payable under repurchase agreements	163,777,891	163,869,633
Bills and bonds payable under repurchase agreements / Net amount (after deducting final accounts allotment)	5.53	5.45

Concentration of credit risk

Items	December 31, 2014		December 31, 2013	
Credits extended to related parties	$ 520,000		$ -	
Percentage of credits extended to related parties (%) (Note 1)	0.36		-	
Percentage of credits extended secured by equity (%) (Note 2)	20.32		20.04	
Industry concentration (Top 3 industries with maximum industry credit ratio)	Industry	Ratio(%)	Industry	Ratio(%)
	Financial and insurance	30.82	Financial and insurance	30.95
	Manufacturing	26.48	Manufacturing	26.84
	Real estate	22.52	Real estate	21.94

Note 1: The ratio of credit extensions to related parties = the amount of credit extensions to related parties / the total amount of all credit extensions.

Note 2: The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

Note 3: Total amount of credit extensions include loans, bills discounted, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.

(D) Policy of reserve for losses and movements of allowance for credit losses:

The Company has evaluated the allowance and reserves for bills receivable, accounts receivable, overdue loans, and the ending balance guaranteed by commercial papers by considering unrecoverable risks and analyzed the possibility of loss based on “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt”. For details of changes in allowance for doubtful accounts, please refer to Note 6(14).

(4) Liquidity risk

A. Definition and sources of liquidity risk

Liquidity risk is defined as possible losses to the Company when the Company is unable to realize the assets or obtain funds to meet the obligations soon to be matured. It can also be defined as risk of impact on the Company’s financial position due to adverse changes in interest rates. Gap in liquidity risk position refers to differences between assets with liquidity risk and liabilities with liquidity risk classified by maturity structure.

B. Procedures for management of liquidity risk

Liquidity risk management of the Company mainly refers to control over the limit management made to gaps in liquidity risk position across different periods that have been through business operation.

(A) Policies and procedures

Policies and procedures were created to establish rules governing liquidity risk management, effectively measure liquidity risk position, and maintain appropriate liquidity with ability to pay assured. Relevant control measures comprise:

a. Establishing limit on gap of each time period and supervising the Company's cash flow gap of each time period on a daily basis to appropriately hedge fund liquidity risk.

b. Establishing emergency response management mechanism for funding, which can start immediately to call on risk management committee for deliberation of emergency measures when prolonged capital austerity, prolonged increase in interest rates or unexpected financial events result in liquidity risk with significant impact.

c. With respect to the Company's control over liquidity risk, bill segment is responsible for daily operation and control over fund liquidity gap; and finance segment is responsible for reporting liquidity risk monitored.

(B) Risk measurement methods

Risk measurement methods are applied to set limit on cash flow gap of each time period based on the ability to allocate and transfer capital. Measurement system and statistics comprise: control over total major liabilities and limit control over funding gap of each time period.

C. Maturity date analysis for financial assets and liabilities held

(A) Most of financial instruments held by the Company have an open market. These financial instruments are expected to be sold easily and immediately at a price approximate to the fair value and they are sufficient to fulfill the payment obligation and potential emergent fund demand in the market.

(B) The Company's fundamental management policy is to match the maturity date and interest rate on assets and liabilities and control cap arising from any mismatch. Due to uncertainty of terms and variety of types, maturity date and interest rate on assets and liabilities usually cannot fully match up, such mismatch may result to either potential gain or loss. As of December 31, 2014 and 2013, the carrying amounts of financial assets and financial liabilities are classified according to their time-to-maturity as follows:

	December 31, 2014						
	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	$ 254,266	$ 190,356	$ -	$ -	$ -	$ -	$ 444,622
Financial assets at fair value through profit or loss							
Non-derivative financial instruments	61,773,040	46,637,338	5,133,185	748,095	3,038,661	-	117,330,319
Available-for-sale financial assets	77,423	11,608,416	210,516	4,067,880	58,221,017	13,553,949	87,739,201
Bills and bonds investment with resale agreements	6,537,432	3,276,241	-	-	-	-	9,813,673
Receivables	5,042	-	-	-	-	-	5,042
Held-to-maturity financial assets	253,600	2,600	-	8,700	621,400	-	886,300
Other financial assets	58,220	200,401	401	200,803	-	-	459,825
Total assets	$ 68,959,023	$ 61,915,352	$ 5,344,102	$ 5,025,478	$ 61,881,078	$ 13,553,949	$ 216,678,982
Liabilities							
Interbank overdraft and call loans	(15,930,159)	-	-	-	-	-	(15,930,159)
Financial liabilities at fair value through profit or loss							
Non-derivative financial instruments	-	-	-	-	(266)	-	(266)
Bills and bonds payable under repurchase agreements	(141,035,880)	(20,918,179)	(1,849,343)	(56,580)	-	-	(163,859,982)
Payables	(148,018)	(62,287)	(199,291)	(53,459)	-	-	(463,055)
Other funds outflow upon maturity	(60,316)	-	-	(15,674)	(3,345)	-	(79,335)
Total liabilities	(157,174,373)	(20,980,466)	(2,048,634)	(125,713)	(3,611)	-	(180,332,797)
Net liquidity gap	($ 88,215,350)	$ 40,934,886	$ 3,295,468	$ 4,899,765	$ 61,877,467	$ 13,553,949	$ 36,346,185

	December 31, 2013						
	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	$ 544,617	$ -	$ -	$ -	$ -	$ -	$ 544,617
Financial assets at fair value through profit or loss							
Non-derivative financial instruments	65,228,284	56,291,324	8,490,903	687,848	2,713,208	-	133,411,567
Available-for-sale financial assets	56,161	6,114,861	167,149	9,690,884	60,358,903	7,488,649	83,876,607
Bills and bonds investment with resale agreements	1,042,036	926,760	-	-	-	-	1,968,796
Receivables	-	-	-	-	17,640	-	17,640
Held-to-maturity financial assets	2,500	2,600	-	5,100	510,300	-	520,500
Other financial assets	560,417	200,401	402	200,803	-	-	962,023
Total assets	$ 67,434,015	$ 63,535,946	$ 8,658,454	$ 10,584,635	$ 63,600,051	$ 7,488,649	$ 221,301,750
Liabilities							
Interbank overdraft and call loans	(21,262,601)	-	-	-	-	-	(21,262,601)
Bills and bonds payable under repurchase agreements	(144,095,338)	(18,123,621)	(1,495,304)	(238,396)	-	-	(163,952,659)
Payables	(294,732)	(6,342)	(142,356)	-	(321,695)	-	(765,125)
Other funds outflow upon maturity	(118,268)	-	-	-	(17,983)	(1,606)	(137,857)
Total liabilities	(165,770,939)	(18,129,963)	(1,637,660)	(238,396)	(339,678)	(1,606)	(186,118,242)
Net liquidity gap	($ 98,336,924)	$ 45,405,983	$ 7,020,794	$ 10,346,239	$ 63,260,373	$ 7,487,043	$ 35,183,508

(C) Structure analysis for maturity of derivative financial assets and liabilities - gross basis

	December 31, 2014						
	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Over 5 years	Total
Currency swap							
Inflow	$ 191,286	$ -	$ -	$ -	$ -	$ -	$ 191,286
Outflow	194,727	-	-	-	-	-	194,727
Total inflows	$ 191,286	$ -	$ -	$ -	$ -	$ -	$ 191,286
Total outflows	$ 194,727	$ -	$ -	$ -	$ -	$ -	$ 194,727

	December 31, 2013						
	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Over 5 years	Total
Currency swap							
Inflow	$ 81,946	$ -	$ -	$ -	$ -	$ -	$ 81,946
Outflow	82,353	-	-	-	-	-	82,353
Total inflows	$ 81,946	$ -	$ -	$ -	$ -	$ -	$ 81,946
Total outflows	$ 82,353	$ -	$ -	$ -	$ -	$ -	$ 82,353

(D) Structure analysis for maturity of derivative financial assets and liabilities-net basis

	December 31, 2014						
	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swap							
Inflow	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Outflow	93	-	-	-	-	-	93
Total inflows	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total outflows	$ 93	$ -	$ -	$ -	$ -	$ -	$ 93

	December 31, 2013						
	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swap							
Inflow	$ -	$ -	$ -	$ 436	$ -	$ -	$ 436
Outflow	203	-	190	543	820	-	1,756
Total inflows	$ -	$ -	$ -	$ 436	$ -	$ -	$ 436
Total outflows	$ 203	$ -	$ 190	$ 543	$ 820	$ -	$ 1,756

D. Analysis on maturity value of off balance sheet accounts

The following table illustrates the maturity analysis for off balance sheet accounts of the Company by the remaining maturity from the balance sheet date to the contract expiration date. In terms of the Company's commercial paper business, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	1 to 5 years	Total
December 31, 2014						
Off-balance sheet items						
Guarantees for commercial papers	$ 110,560,300	$ 33,407,000	$ 1,743,000	$ -	$ -	$ 145,710,300
December 31, 2013						
Off-balance sheet items						
Guarantees for commercial papers	$ 102,043,000	$ 38,737,000	$ 1,930,000	$ -	$ -	$ 142,710,000

E. Maturity analysis for lease contract and capital expense commitment

Operating lease commitment is the total minimum lease payments that the Company should make as a lessee or lessor under an operating lease term which is not cancelable. The Company has no capital expenditure commitment.

December 31, 2014	Below 1 year	1 to 5 years	Over 5 years	Total
lease commitment				
Operating lease expense (lessee)	($ 41,154)	($ 6,166)	$ -	($ 47,320)
Operating income (lessor)	109,818	59,761	-	169,579
Total	$ 68,664	$ 53,595	$ -	$ 122,259
December 31, 2013				
lease commitment				
Operating lease expense (lessee)	($ 41,317)	($ 47,029)	$ -	($ 88,346)
Operating income (lessor)	106,189	120,333	6,422	232,944
Total	$ 64,872	$ 73,304	$ 6,422	$ 144,598

F. Additional information disclosed in accordance to the "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies"

Sources and Utilization of Capital
as of December 31, 2014
(Expressed in Millions of NT Dollars)

	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year
Utilization of capital					
Bills	61,678	46,349	4,829	-	-
Bonds	250	8,963	267	3,894	72,633
Bank deposit	253	390	-	200	-
Loans extended	-	-	-	-	-
Bills and bonds investment with resale agreements	6,533	3,272	-	-	-
Total	68,714	58,974	5,096	4,094	72,633
Sources of capital					
Loans borrowed	15,927	-	-	-	-
Bills and bonds payable under repurchase agreements	140,982	20,895	1,845	56	-
Own capital	-	-	-	-	33,135
Total	156,909	20,895	1,845	56	33,135
Net capital	(88,195)	38,079	3,251	4,038	39,498
Accumulated net capital	(88,195)	(50,116)	(46,865)	(42,827)	(3,329)

Sources and Utilization of Capital
as of December 31, 2013
(Expressed in Millions of NT Dollars)

	1 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year
Utilization of capital					
Bills	65,080	55,891	8,239	496	-
Bonds	68	3,428	205	9,078	68,557
Bank deposit	1,044	200	-	200	-
Loans extended	-	-	-	-	-
Bills and bonds investment with resale agreements	1,041	925	-	-	-
Total	67,233	60,444	8,444	9,774	68,557
Sources of capital					
Loans borrowed	21,259	-	-	-	-
Bills and bonds payable under repurchase agreements	144,040	18,101	1,491	238	-
Own capital	-	-	-	-	32,118
Total	165,299	18,101	1,491	238	32,118
Net capital	(98,066)	42,343	6,953	9,536	36,439
Accumulated net capital	(98,066)	(55,723)	(48,770)	(39,234)	(2,795)

(5) Market risk

A. Definition and sources of market risk

Market risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments held by the Company as a result of the change in market price. The so-called market price include interest rate, exchange rate, and price of equity securities. The market risk faced by the Company mainly arises from the fluctuations in interest rates. Fluctuations in interest rates will result in change in fair value of bills and bonds investment held by the Company.

B. Procedures for management of market risk

The Company's market risk management aims to control the probable losses arising from on and off-balance sheet positions as a result of adverse change in market price. The Company established not only market risk management standard to control market risk assumed for holding financial instrument position but also sales management rules such as standard governing authorization of bill trading, standard governing operations and authorization of bond trading, standard governing brokerage and proprietary trading business and authorization of fixed income securities, procedures for engaging in derivatives transactions, and procedures for engaging in equity investments to define control measures for relevant businesses, which include:

(A) Monitoring relevant risk management objectives such as position limits, loss limits, and sensitivity limits on bills, bonds, stocks, derivatives, and various businesses on a daily basis.

(B) Performing interest rate sensitivity analysis on positions of bills and bonds on a daily basis.

(C) Performing valuation and verification on derivatives on a monthly basis.

C. Methods used in market risk measurement

Methods used in market risk measurement primarily aims to set limits based on risk characteristics of risk positions arising from bills, bonds, stocks, and derivatives, perform valuation and control loss limits according to operations of positions and hedge strategy, and set adverse scenarios for assessment of significant loss the Company may assume. Measurement system and statistics include: details of gains and losses, risk life, sensitivity analysis, and stress testing on positions of various bills, bonds, stocks, and derivatives.

D. Policies of hedging and mitigation of market risk

The Company's hedge strategy for financial assets aims to use hedging instruments individually or collectively to manage risk of change in fair value and achieve risk management objectives. The hedge strategy also aims to periodically review and revise various transaction risk limits based on change in economic and financial situation and adjustment of business strategy to ensure relevant risk measures and procedures conform to established policies, internal control, and operational procedures.

E. Interest rate risk management

(A) Interest rate risk mainly arises from bond positions of interest rate instruments, which are primarily held for earning spread between short-term and long-term interest rates because bonds are primarily recognized in available-for-sale financial assets. Interest rate risk management aims to assess bearable extent of interest rate risk assumed by comparing weighted yields on bond position held with interest rate level of bonds under repurchase agreements.

(B) The Company's interest rate risk management mainly refers to the business plan and objectives of budget surplus to set position limits, loss limits, and sensitivity limits on bond business as annual risk management objectives. The interest rate risk management is also applied to evaluate the economic situation, predict future path of interest rates, and draft operation strategy according to domestic and foreign economic data.

(C) Relevant control measures include: daily supervision on risk management objectives relevant to various bond businesses; daily price assessment and sensitivity analysis on bill and bond positions; monthly stress testing with an assumption of 100 bp increase in interest rates; and reporting to the Risk Management Committee quarterly.

F. Foreign exchange risk

(A) Foreign exchange risk faced by the Company refers to movement in fair values of foreign currency denominated assets less foreign currency denominated liability, and plus derivative position as a result of exchange rate fluctuations may result in losses to the Company.

(B) In terms of foreign exchange risk management, the Company mainly supervises position limits and loss limits on relevant businesses. Related control measures include daily supervision on exposure position, price assessment, and control over loss limits, daily calculation of currency position and analysis on foreign exchange sensitivity, monthly stress testing on the currency position held with an assumption of ±3% exchange rate fluctuations; and reporting to the Risk Management Committee quarterly.

G. Equity securities risk management

(A) The Company's equity securities market risk comprises the risk of individual equity security coming from the security's market price changes and the general market risk coming from overall equity securities market price changes.

(B) For equity securities risk management, the Company has set trading strategies for three categories of positions: (a) positions held for selling and earning capital gain in short-term; (b) positions held for earning dividends; and (c) positions held for earning capital gains reflecting stock price for good prospect industry or long-term good profitability, and set annual loss limits to the tolerable scopes.

(C) Related control measures include: daily market price valuation to control loss limits, monthly stress-testing calculating probable amount of loss on investment portfolio held by the Company on the assumption that overall market price decrease by 15%, and reporting to the Risk Management Committee quarterly.

Sensitivity Analysis

December 31, 2014			
Risks	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 3%.	($ 1,479)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 3%	1,479	-
Interest rate risk	Major increases in interest rates 25bp	(41,276)	(558,138)
Interest rate risk	Major decline in interest rates 25bp	41,311	565,731
Equity securities risk	TAIEX declined by 2%.	(394)	(33,869)
Equity securities risk	TAIEX increased by 2%	394	33,869

December 31, 2013			
Risks	Extent of Variation	Effect on Profit or Loss	Effect on Other Comprehensive Income
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 3%.	($ 372)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 3%	372	-
Interest rate risk	Major increases in interest rates 25bp	(33,372)	(492,954)
Interest rate risk	Major decline in interest rates 25bp	33,408	498,608
Equity securities risk	TAIEX declined by 2%.	-	(46,873)
Equity securities risk	TAIEX increased by 2%	-	46,873

Additional information disclosed in accordance to the "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies"

(A) The information of interest rate sensitivity

Interest rate sensitivity analysis on assets and liabilities

December 31, 2014

Unit: In thousands of NT Dollars, %

Items	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	127,688,112	5,095,742	4,094,060	72,633,243	209,511,157
Interest rate sensitive liabilities	177,803,478	1,844,636	56,390	-	179,704,504
Interest rate sensitive gap	(50,115,366)	3,251,106	4,037,670	72,633,243	29,806,653
Net worth					33,135,319
Ratio of interest rate sensitive assets to interest rate sensitive liabilities (%)					116.59
Ratio of interest rate sensitivity gap to net worth (%)					89.95

December 31, 2013

Unit: In thousands of NT Dollars, %

Items	1 to 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	127,677,266	8,443,953	9,773,875	68,557,322	214,452,416
Interest rate sensitive liabilities	183,399,596	1,491,344	237,694	-	185,128,634
Interest rate sensitive gap	(55,722,330)	6,952,609	9,536,181	68,557,322	29,323,782
Net worth					32,117,512
Ratio of interest rate sensitive assets to interest rate sensitive liabilities (%)					115.84
Ratio of interest rate sensitivity gap to net worth (%)					91.30

Note 1: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

Note 2: Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities.

Note 3: Interest rate sensitivity gap = Interest rate sensitive assets – Interest rate sensitive liabilities

(B) Average amounts and average interest rates of interest-earning assets and interest-bearing liabilities

	For the year ended December 31, 2014	
	Average Amount	Average Interest Rate (%)
Assets		
Cash and cash equivalents (Note)	$ 1,372,615	0.49
Financial assets at fair value through profit or loss	119,880,265	1.05
Bills and bonds investment with resale agreements	4,483,507	0.58
Available-for-sale financial assets	79,494,841	1.85
Held-to-maturity financial assets	586,164	2.05
Liabilities		
Interbank overdraft and call loans	16,448,556	0.50
Bills and bonds payable under repurchase agreements	160,809,529	0.56

	For the year ended December 31, 2013	
	Average Amount	Average Interest Rate (%)
Assets		
Cash and cash equivalents (Note)	$ 1,410,526	0.50
Financial assets at fair value through profit or loss	126,109,160	1.06
Bills and bonds investment with resale agreements	1,988,602	0.63
Available-for-sale financial assets	73,379,774	2.00
Held-to-maturity financial assets	500,000	2.04
Liabilities		
Interbank overdraft and call loans	18,390,808	0.47
Bills and bonds payable under repurchase agreements	157,206,596	0.62

Note: Cash and cash equivalents include certificate of deposit pledged and designated account for allowance to pay back short-term bills.

(6) Operating risk and legal risk

The Company's operational risk management mainly aims to effectively implement internal control and reduce losses from operational risk due to improper internal operational procedures, personnel mistakes, system failure, or external events to achieve business and management objectives.

A. Risk management policy

The Company established operational risk management guidelines and risk management mechanism with objective review of effective implementation of operational risk management mechanism in accordance with independent internal audit process. The Company also set up emergency response plan and business continuity planning to ensure rapid operation recovery and maintenance of normal business operation in case of emergency and disaster.

B. Methods used in risk measurement

(A) The Company establishes operational loss database, gathers statistics on frequency and amount of loss for individual loss event, and screen key risk indicators for the purpose of enhancing current management mechanism of pointer event and decreasing operational loss.

(B) The Company set up system of operational risk control self-assessments to perform annual operational risk control self-assessments. The possibility and effect of loss are used as loss measure indicators for self-assessments to generate risk mapping and enhance control over businesses rated as medium risk. Besides, the Company follows suggestion for self-assessments to improve current control mechanism for the purpose of reducing losses from operational risk.

C. Additional information disclosed in accordance to the "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies"

Information on Breach of Applicable Laws or Regulations
December 31, 2014

	Reason and Amount Incurred
Indictment of the Company's chairman or employees for breach of applicable laws or regulations in the latest year	None
Penalties imposed by the regulatory authority for breach of the Bills Financing Act in the latest year	None
Rectification requested by the Ministry of Finance for business misconduct in the latest year	None
Frauds committed by the Company's employees, major contingencies, or incidents caused by non-compliance with the Safety Rules Governing the Financial Institutions, which have incurred a total loss exceeding $50 million on one single incident or all the incidents in the latest year	None
Others	None

Note: The latest period denotes one-year time from the current period of disclosure.

14. CAPITAL MANAGEMENT

For the purpose of establishing assessment procedure for capital adequacy and maintaining adequate capital to assume overall risk arising from operations, the Company set up capital adequacy self-assessment procedure and regulations to specify all significant risks that should be assessed under capital management and adequate capital required for acceptance of such risks. Moreover, the Company set up capital adequacy ratio for annual risk management objectives and periodically report capital adequacy ratio with disclosure of information about capital adequacy. Objectives, policies, and procedures of the Company's capital management are as follows:

The objectives of capital management

A. Methods used in assessment of capital required for acceptance of various risks should follow the principle of supervisory review for capital adequacy by the competent authority except standardized approach used in assessment of credit risk and market risk, and basic indicator approach used in assessment of operational risk.

B. The Company's capital management should not only meet the minimum regulated capital adequacy ratio but also evaluate the risk profile, strategy, and operational plan that could be sufficiently handled by the internal eligible self-owned capital to set capital adequacy ratio as the objective of internal capital management.

(2) Policies and procedures of capital management

A. The Company shall keep meeting the capital adequacy ratio regulated by the competent authority and establish capital adequacy self-assessment procedure that conforms to the risk profile based on the business size, status of credit risk, market risk, and operational risk, as well as future trend in operation. The Company shall also set up strategy to maintain adequate capital and supervise the capital adequacy.

B. The risk control department annually sets target value and alarm value of capital adequacy ratio as the annual risk management objectives, which will be submitted to the risk management committee of the Company and Mega Financial Holding Co., Ltd. for deliberation and then the Company's Board of Directors for approval. The risk control department supervises enforcement of risk management objectives and quarterly reports it to the risk management committee and Board of Directors of the Company.

C. The risk control department calculates capital adequacy ratio, assesses the capital adequacy, and reports the details to the general manager on a monthly basis. Assessment of capital adequacy includes the following: capital structure and risk tolerance, impact of major business risks on the capital, simulation analysis on operational plan, capital adequacy ratio for capital increase/reduction plan or significant capital utilization, and stress testing.

(3) Capital adequacy ratio

Items	Year	December 31, 2014	December 31, 2013
Eligible capital	Tier 1 Capital, net	28,042,024	28,122,347
	Tier 2 Capital, net	-	-
	Tier 3 Capital, net	506,866	583,065
	Eligible capital, net	28,548,890	28,705,412
Risk-weighted assets, total	Credit risk	143,869,894	140,414,568
	Operation risk	6,551,550	7,001,763
	Market risk	55,911,438	64,168,200
	Risk-weighted assets, total	206,332,882	211,584,531
Capital adequacy ratio (%)		13.84	13.57
Ratio of Tier I capital to risk - weighted assets (%)		13.59	13.29
Ratio of Tier II capital to risk - weighted assets (%)		-	-
Ratio of Tier III capital to risk - weighted assets (%)		0.25	0.28
Ratio of common stocks to total assets (%)		6.06	5.92

A. Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets

B. The total amount of assets equals the total assets presented in the balance sheet.

C. The ratio is calculated for the end of June and December which were also disclosed in the first and third quarter financial statements.

D. The above eligible capital and risk-weighted assets are calculated and recorded in accordance with “Regulations Governing Capital Adequacy of Bills Finance Companies” and “Calculation and Forms of Own Capital and Risk Assets of Bills Finance Companies”.

15. ADDITIONAL DISCLOSURES

(1) Significant transaction information:

A. Marketable securities acquired or disposed of, at costs or prices of at least NT$100 million or 20% of the issued capital: None.

B. Acquisition of individual real estate, at costs or prices of at least NT$100 million or 20% of the issued capital: None.

C. Disposal of individual real estate, at costs or prices of at least NT$100 million or 20% of the issued capital: None.

D. Allowance for service fees to related parties amounting to at least NT$5 million: None.

E. Receivables from related parties amounting to at least NT$100 million or 20% of the issued capital: None.

F. Sales of non-performing loans : None.

G. Securitization products and its related information that applied by subsidiaries in compliance with the “Financial Asset Securitization Act” or “Real Estate Securitization Act” : None.

H. Significant inter-company transactions : None.

I. Other significant transactions which may affect the decisions of users of financial reports: None.

(2) Information on the subsidiaries: None.

(3) Supplementary disclosure regarding investee companies: None.

(4) Information on investments in Mainland China: None.

(5) Information on the apportionment of the revenues, costs, expenses, gains and losses arising from the transactions among the Company, Mega Financial Holding Co., Ltd. and its subsidiaries, joint promotion of businesses, and sharing of information, operating facilities or premises:

A. Please refer to Note 7 for details.

Joint promotion of businesses

In order to create synergies within the company and provide customers financial services in all aspects, the Company provides mobility service (e.g. visiting clients) or promotes through telephone, mobile phone or email.

C. Sharing of information and operating facilities or premises

Under the Financial Holding Company Act, Personal Data Protection Law and the related regulations stipulated by FSC, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the company or exchanged between the subsidiaries for the purpose of cross-selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are bound to use the information for the specified purposes only. In addition, the Company is required to publish its "Measures for Protection of Customers' Information" at its website and operating premises. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

16. DISCLOSURE OF FINANCIAL INFORMATION BY SEGMENTS

(1) General information

The Company determines the responsible segments for information reporting depending on the information used by Chief Operating Decision-Maker (CODM). There are three segments of the Company which are responsible for reporting: bills, bonds, and the branch segment. The branch segment refers to eight branches with similar economic and business characteristics which do not satisfy the criteria for quantitative threshold and are into a reporting segment.

The bills segment is responsible for the commercial bill guarantee, short-term bill issuance in the primary market and the repo trade in the secondary market. The bonds segment is responsible for the business of bonds, bonds under repurchase or reverse sell agreements, fixed-income instruments, equity investment and businesses of financial derivative transactions. The branches are responsible for bills and bonds businesses other than the abovementioned trades for equity investment and derivative instruments.

The main income sources of the Company are from bills and bonds businesses. And the bills and bonds business managed by the branches shares a similarity with the head office, adding that the clients for primary market and investors in secondary market usually have a strong regional characteristic. Therefore, the Company manages through a comprehensive system by business nature and location.

(2) Measurement for segmental information

The gains and losses of both bills and bonds segments of the Company are assessed by net income, whereas those of the subsidiaries are assessed by profit before income tax and used as basis for performance evaluation. The inter-segment bills and bonds transactions of the Company are regarded as transactions with a third party and are evaluated by current market prices.The Company does not amortize the operating expenses and income tax expense to bills segment and bonds segment. The amounts reported should be consistent with the report submitted to the CODM. All the accounting policies of operating segments are the same with the significant accounting policies summarized in Note 4. There is no material change in the basis for formation of entities and division of segments in the Company or in the measurement basis for segment information during this period.

Reconciliation for segment

Segmental information provided to CODM :

Items	Bills Segment	Bonds Segment	Branch Segment	Adjustments	Total
	For the year ended December 31, 2014				
Net revenues (Note)	$ 937,013	$ 1,194,477	$ 1,146,499	$ 268,716	$ 3,546,705
Net revenues from external clients	1,714,969	1,264,220	527,937	39,579	3,546,705
Net bills revenues	1,691,757	-	299,828	-	1,991,585
Net bond revenues	-	994,101	227,136	-	1,221,237
Net equity investment revenues	-	269,791	-	-	269,791
Other net revenues	23,212	328	973	39,579	64,092
Net inter-segment revenues	(777,956)	(69,743)	618,562	229,137	-
Net bills revenues	(777,956)	-	601,917	176,039	-
Net bond revenues	-	(69,743)	6,372	63,371	-
Other net revenues	-	-	10,273	(10,273)	-
Interest income	890,701	942,939	32,264	(55,448)	1,810,456
Gains(losses) from reportable segment	937,013	1,194,477	876,849	418,973	3,427,312
Reportable segment assets	69,277,889	74,448,124	70,532,238	2,051,797	216,310,048
Reportable segment liabilities	41,906,221	54,845,171	69,631,051	16,792,286	183,174,729

Items	For the year ended December 31, 2013 Bills Segment	Bonds Segment	Branch Segment	Adjustments	Total
Net revenues (Note)	$ 786,030	$ 1,585,967	$ 1,005,452	$ 274,745	$ 3,652,194
Net revenues from external clients	1,561,201	1,667,410	401,194	22,389	3,652,194
Net bills revenues	1,557,909	-	188,241	-	1,746,150
Net bond revenues	-	1,115,510	207,257	-	1,322,767
Net equity investment revenues	-	503,998	-	-	503,998
Other net revenues	3,292	47,902	5,696	22,389	79,279
Net inter-segment revenues	(775,171)	(81,443)	604,258	252,356	-
Net bills revenues	(775,171)	-	590,949	184,222	-
Net bond revenues	-	(81,443)	7,590	73,853	-
Other net revenues	-	-	5,719	(5,719)	-
Interest income	891,354	979,182	(12,872)	(78,139)	1,779,525
Gains(losses) from reportable segment	786,030	1,585,967	710,866	(28,662)	3,054,201
Reportable segment assets	90,313,491	64,499,252	63,112,208	3,718,019	221,642,970
Reportable segment liabilities	54,737,704	49,069,353	62,394,728	23,323,673	189,525,458

Note: Net revenues include net interest income and net non-interest income. And net bills revenues and net bond revenues of the net revenues include net interest income.

Five. Latest audited standalone financial reports: none.

Six. Financial distress encountered by the company or any of its affiliated companies in the recent year, up until the publication date of this annual report, and impacts on the company’s financial position: none.

Analysis of Financial Condition and Financial Performance, and Risk Management

One. Financial Condition

Unit: NT$ thousands

Item \ Year	2014	2013	Variation	
			Amount	%
Cash and cash equivalents	444,266	544,617	(100,351)	(18.43)
Financial assets at fair value through profit and loss	117,026,616	133,085,711	(16,059,095)	(12.07)
Available-for-sale financial assets	83,333,880	80,127,802	3,206,078	4.00
Bills and bonds purchased under resale agreements	9,805,054	1,966,157	7,838,897	398.69
Receivables– net	1,004,365	1,072,383	(68,018)	(6.34)
Held-to-maturity financial assets	850,000	500,000	350,000	70.00
Other financial assets - net	802,252	1,303,700	(501,448)	(38.46)
Property and equipment - net	370,378	362,205	8,173	2.26
Investment property– net	2,549,752	2,560,415	(10,663)	(0.42)
Intangible assets - net	2,886	3,303	(417)	(12.62)
Deferred income tax assets- net	95,088	89,030	6,058	6.80
Other assets - net	25,511	27,647	(2,136)	(7.73)
Total assets	216,310,048	221,642,970	(5,332,922)	(2.41)
Interbank overdraft and call loans	15,926,613	21,259,000	(5,332,387)	(25.08)
Financial liabilities at fair value through profit and loss	411	1,352	(941)	(69.60)
Bills and bonds payable under repurchase agreements	163,777,891	163,869,633	(91,742)	(0.06)
Payables	502,801	809,067	(306,266)	(37.85)
Current income tax liabilities	74,713	124,310	(49,597)	(39.90)
Liabilities reserve	2,774,969	3,282,308	(507,339)	(15.46)
Deferred income tax liabilities	790	62	728	1,174.19
Other liabilities	116,541	179,726	(63,185)	(35.16)
Total liabilities	183,174,729	189,525,458	(6,350,729)	(3.35)
Capital stock	13,114,411	13,114,411	-	-
Capital surplus	320,929	320,929	-	-
Retained earnings	18,597,142	17,386,645	1,210,497	6.96
Other equity	1,102,837	1,295,527	(192,690)	(14.87)
Total equity	33,135,319	32,117,512	1,017,807	3.17

Ratio change analysis: (Ratio change before and after over 20%; moreover, amount change for up to NT$10,000 thousand)

1. The increase in resale agreement was mainly due to additional transactions undertaken by the Company.
2. The increase in held-to-maturity financial assets was mainly due to acquisition of bonds that were intended to be held until maturity.
3. The decrease in Other financial assets - net was mainly due to lesser time deposits pledged to creditors.
4. The decrease in interbank overdraft and call loans was the result of smaller position of bills held in the Company's possession.
5. The decrease in Payables was mainly due to repayment of customers' RP agreements upon maturity.
6. The decrease in Current income tax liabilities was mainly caused by an increase in prepaid income taxes.
7. The decrease in Other liabilities was mainly the result of lesser advance receipts.

Two. Financial performance

Unit: NT$ thousands

Accounts	2014	2013	Increase (Decrease) amount	Ratio Change (%)
Interest income, net	1,810,456	1,779,525	30,931	1.74
Revenue other than interest income, net	1,736,249	1,872,669	(136,420)	(7.28)
Net income	3,546,705	3,652,194	(105,489)	(2.89)
Provisions	660,965	177,739	483,226	271.87
Operating expenses	(780,358)	(775,732)	(4,626)	0.60
Income before Income Tax from Operating Unit	3,427,312	3,054,201	373,111	12.22
Income tax (expense) gain	(426,465)	(423,718)	(2,747)	0.65
Net Income	3,000,847	2,630,483	370,364	14.08
Other comprehensive income (net of tax expense)	(230,955)	(1,220,140)	989,185	(81.07)
Comprehensive Income for the current period	2,769,892	1,410,343	1,359,549	96.40

Explanation of analysis of changes: (Ratio change over 20%).

1. The increase in provision reversals was mostly contributed by reversals of guarantee liabilities.
2. The increase in Other comprehensive income/losses was mainly attributable to changes in unrealized gains/losses on available-for-sale financial assets.

Three. Cash flow

I. Liquidity analysis for the last two years

Item \ Year	2014	2013	Increase/ Decrease (%)
Cash flow ratio (%)	3.89	0.96	305.21
Cash flow adequacy ratio (%)	154.37	156.92	(1.63)
Explanation of analysis of changes: (Ratio change over 20%). The increase in cash flow ratio was mainly attributed to a series of outright sales of long-term bills, which produced net cash inflows from operating activities.			

II. Liquidity analysis for the next one year

Beginning cash balance ①	Estimated net cash flow from operating activity ②	Estimated annual cash outflow ③	Estimated cash surplus (deficit) ①＋②－③	Remedial measures for estimated cash deficit	
				Investment Plan	Financial Plan
444,266	239,955	18,057,342	(17,373,121)	-	17,811,000

1. Current cash flow analysis:
   (1) Operating activities: net cash inflow from operating activities is expected to be achieve with lesser investments in resale agreements.
   (2) Investing activities: no major increase in investment has been expected.
   (3) Financing activities: mainly comprise of cash dividend payments and repayment of interbank overdraft and call loans.
2. Liquidity analysis and financing of projected cash deficits: deficits are expected to be met by interbank overdraft and call loans.

Four. Impact of major capital expenditure on financial operations in the most recent years: None.

Five. Investment policy, the cause of profit and loss, improvement plan, and the next-year investment plan in the most recent years:

I. Investment policy and investment plan for the next year

The Company's investment policy has been established in accordance with Regulations Governing Investments by Bills Finance Companies in Other Enterprises, which requires the Company to seek parent company's and the authority's approval before investing in new businesses, except for investments that had already been approved prior to the implementation of Act Governing Bills Finance Business. The Company does not have any new investments planned in the next year.

II. The cause of investment profit or loss and the corresponding corrective action

In 2014, the Company received cash dividends totaling NT$11.664 million from invested businesses, and stock dividends totaling 51,393 shares from Taiwan Depository and Clearing Corporation and 29,126 shares from Taiwan Futures Exchange Corporation.

Six. Risk Management

I. Risk management organizational framework and policy

(I) Risk management organizational framework

The Board of Directors is the highest authority for the Company's risk management; therefore, the Board of Directors takes ultimate responsibility for establishing the Company's risk management system and ensuring its effective operation. The Risk Management Committee is under the supervision of the General Manager to review business risk management reports, the allocation of business risk and the deployment of risk assets, business risk management objectives and implementation scenarios, and other risk management issues.

The Risk Control Department is responsible for enacting the risk management-related regulations, enforcing the plans under the risk management system pursuant to the New Basel Capital Accord, organizing the risk management objectives and reviewing the enforcement results, controlling the Company's capital adequacy, summarizing risk controls and reporting the risk controls, and working with the competent authority and holding company to plan, supervise or execute the risk management matters required by the competent authority and holding company.

(II) Risk management policy

The Company relies on the "Financial Holding Company and Banking Internal Control and Auditing System Enforcement Rules," "Mega Financial Holding Company Risk Management Policies and Guidelines," and the Company's "Internal Control System Enforcement Rules" to regulate the Company's "Risk Management Policies and Operating Procedures" as the guidance for business risk management in order to establish the Company's risk management system, ensure that the operational risk control within the tolerance, and maintain a sound capital adequacy ratio.

II. Qualitative and quantitative information about various risks:

(I) Credit risk management system and capital requirement

1. Credit risk management system

2014

Aspects	Contents
(1) Strategy, objective, policy and procedure	For the establishment of the credit risk management mechanism and ensuring credit risk control within the tolerance of management objectives, the "Credit Risk Management Guidelines" is stipulated to control default loss risk resulted from the non-performance of borrowers or counterparties due to business deterioration or other factors. The relevant risk control measures include (1) Define the credit limit ratio by type of business and specific security terms, and define credit risk limit management in accordance with the "Credit Risk Management Guidelines." (2) Define the risk concentration ratio, set up alert standard, and control mechanism for preventing excessive risk concentration by customers (including one individual, one related party, and one affiliated enterprise), businesses, and nations in accordance with the "Regulations Governing Credit Risk Concentration."

Aspects	Contents
(2) Organization and framework of credit risk management system	With respect to the credit risk in the Company's granting of loans and various financial instruments, the Loan Review team and Risk Management Committee are responsible for supervising and reviewing various management regulations, granting of loans and business risk management objectives. Meanwhile, the Bills Department, Bond Department and all branches are the main operational units for credit risk control.
(3) Scope and characteristics of credit risk reporting and the measurement system	The Company has set up the Risk Management Committee to monitor operational risks. All business supervision units in the head office are to present the business risk report by Department to the Risk Management Committee on a quarterly basis. The Risk Management Committee is to report the risk management profile to the board of directors periodically. The credit risk report covers the total credit risk exposures by customer, industry and country, and the status of operation of credit risk position. The measurement system and reporting include the summarization of total credit risk exposures by customer, industry and country, NPL ratio, maximum limit of credit extension by business, maximum limit of guarantee, and maximum limit of credit extension to a single enterprise, same affiliate and same related party.
(4) Hedging policies, strategy, and process of monitoring the continuing effectiveness of hedging	The Company grants loans in accordance with a defined credit investigation procedure, and considers the requirement of collaterals and guarantor based on the customer's financial and credit status. Meanwhile, the Company defined the "Notes to Loan Review Operation" to enhance the post-credit extension management. The financial instruments are primarily managed in accordance with the credit ratings for issuers and trading counterparts, and reviewed, followed up and evaluated periodically, in order to enhance the ability to bear the credit risk.
(5) Approach to require the authorized capital	Standard Method

2. Capital requirement of credit risk and risk assets amount (Standard Method)

March 31, 2015 Unit: NT$ thousands

Exposure type	Capital requirement	Risk-weighted assets
Sovereign state	0	0
Non-central government public sectors	3,669	45,863
Bank (including multilateral development banks)	90,336	1,129,197
Corporate (including securities and insurance company)	11,233,146	140,414,325
Retail creditor's right	60,226	752,826
Investment in equity securities	64,704	808,800

Credit extended to parent company or subsidiary and credit secured by marketable securities issued by parent company or subsidiary	0	
Other assets	259,630	3,245,379
Total	11,711,711	146,396,389

(II) Risk management system, exposure and capital requirement of asset securitization

1. Risk management system of asset securitization

2014

Aspects	Contents
(1) Asset securitization management strategy and procedure	(1) In order to manage the transaction of asset securitization products, the Company defined its "SOP and License Guidelines for Fixed-Income Securities Underwritten and Traded for Its Own Account for Customers", "SOP for Investment in Beneficiary Securities, Asset-Based Securities and Related Fund". Meanwhile, in order to underwrite or buy in guarantee-free short-term bills, it also defined the "SOP for Underwriting or Buy-in of Guarantee-Free Short-Term Bills" and "Instructions to Certify Underwriting and Trading of Beneficiary Securities and Asset-Based Securities", which provide that buy-in of asset securitization products and asset securitization short-term bills shall take into consideration the issuing terms and conditions, yield, issuer (or guarantor) or credit relating to specific debts, and relevant limit management, limit review, risk control and business management operations. (2) The relevant control measures include daily monitoring of single beneficiary security bought in, evaluation on market value of asset-based securities, limit of tolerable market risk (value of change per basic point or per market transaction); underwriting and buy-in of guarantee-free short-term bills positions; reporting the beneficiary securities invested by the Company, balance of asset-based securities and income thereof to the Board of Director on a quarterly basis.
(2) Organization and framework of asset securitization management	Under the Company's asset securitization product risk management framework, the Company's Board of Directors has defined the limit of various securitization products or limit of position and limit of loss. Bonds Dept. is responsible for the management of beneficiary securities and asset-based securities. Bills Dept. is responsible for the business management of securitization short-term bills, dedicated to reviewing the changes of credit rating related to asset securitization products and researching and defines the relevant countermeasures when the limit of loss is met. The Risk Control Department is responsible for controlling the change in the entire risk of asset securitization products

Aspects	Contents
(3) Scope and characteristics of asset securitization risk reporting and the measurement system	The business management units of the Head Office submit the asset securitization product risk report to Risk Management Committee on a quarterly basis by functions in order to explain the changes of credit relating related to various asset securitization products, asset portfolio and analysis about position income. The measurement system and reports include credit ratings and income management statement related to beneficiary securities, asset-based securities related fund and guarantee-free asset securitization short-term bills.
(4) Hedging policies, strategy, and process of monitoring the continuing effectiveness of hedging	The Company’s asset securitization product hedging strategy is to avoid price risk, implement derivatives as operating tools, periodically assess profit and loss and report the same to the Board of Directors.
(5) Approach to require the authorized capital	Standard Method

2. Asset Securitization Exposure and Capital Requirement by Type of Transaction

March 31, 2015 Unit: NT$ thousands

Type of Exposure / Company/Book / Role		Category of asset	Traditional		Portfolio		Total		
			Exposure: Retention or Buy-in (1)	Capital Requirement (2)	Exposure: Retention or Buy-in (3)	Capital Requirement (4)	Exposure (5)=(1)+(3)	Capital Requirement (6)=(2)+(4)	Capital Requirement Before Asset Securitization
Non-founding institution	Bank book								
	Trading book								
		Creditor's right to lease			734,740	46,252	734,740	46,252	
	Subtotal				734,740	46,252	734,740	46,252	
Founding institution	Bank book								
	Trading book								
	Subtotal								
Total					734,740	46,252	734,740	46,252	

3. Assets securitization of the Company (as the founding institution):

(1) Be an assets securitization founding institution: None

(2) Securitized instruments information:

① Summary of investment in securitized instruments

March 31, 2015 Unit: NT$ thousands

Name	Accounting category	Original cost	Cumulative valuation gains/losses	Cumulative impairment	Book value
Land Bank of Taiwan in its capacity as a master custodian of Chailease Finance 2011 Securitized Senior Special Purpose Beneficiary Security Tranche A.	Available-for-sale financial assets	218,990	8,275 (valued at market price using corporate bond benchmark yield curves (of four ratings: twAAA, twAA, twA, and twBBB) published by Gretai Securities Market, with straight-line compensation taken to derive the yield rates applicable for the given tenor)	0	223,614
Land Bank of Taiwan in its capacity as a master custodian of Chailease Finance 2014 Securitized Senior Special Purpose Beneficiary Security Tranche A	Available-for-sale financial assets	500,000	10,451 (valued at market price using corporate bond benchmark yield curves (of four ratings: twAAA, twAA, twA, and twBBB) published by Gretai Securities Market, with straight-line compensation taken to derive the yield rates applicable for the given tenor)	0	511,126

② I. For the investment in one securitized instrument for an amount over NT$300 million (excluding the Company as a founding institution holding for the purpose of credit enhancement), the following information must be disclosed:

March 31, 2015 Unit: NT$ thousands

Securities	Accounting Titles	Currency	Issuer and business location	Date of purchase	Maturity date	Coupon rate	Credit rating	Payment for interest and principal	Initial Cost	Cumulative valuation gain or loss	Accumulated impairment	Book Value	Point of claim	Assets pool capacity
Land Bank of Taiwan in its capacity as a master custodian of Chailease Finance 2011 Securitized Senior Special Purpose Beneficiary Security Tranche A	Available-for-sale financial assets	NTD	Land Bank of Taiwan Taipei City	November 24, 2011	Expected maturity - 2016/11/24	2.2%	Taiwan Ratings - twAAA	Interest is paid on the 18th business day after the closing date. From 2014/11/24 onwards, any rental income, instalment payments, and principals received from resale agreements in the asset pool will no longer be spent on	218,990	8,275 (valued at market price using corporate bond benchmark yield curves (of four ratings: twAAA, twAA, twA, and twBBB) published by Gretai Securities Market, with straight-line compensation taken to derive the yield rates applicable for the given tenor)	0	223,614	23.38%	Chailease Finance's entitlement over customers' leases, instalments, and resale agreements

								purchasing assets but will instead be used first to repay tranche A of the beneficiary security.						
Land Bank of Taiwan in its capacity as a master custodian of Chailease Finance 2014 Securitized Senior Special Purpose Beneficiary Security Tranche A	Available-for-sale financial assets	NTD	Land Bank of Taiwan Taipei City	July 24, 2014	Expected maturity - 2019/7/24	1.85%	Taiwan Ratings - twAAA	Interest is paid on the 18th business day after the closing date. From 2017/7/24 onwards, any rental income, instalment payments, and principals received from resale agreements in the asset pool will no longer be spent on purchasing assets but will instead be used first to repay tranche A of the beneficiary security.	500,000	10,451 (valued at market price using corporate bond benchmark yield curves (of four ratings: twAAA, twAA, twA, and twBBB) published by Gretai Securities Market, with straight-line compensation taken to derive the yield rates applicable for the given tenor)	0	511,126	21.87%	Chailease Finance's entitlement over customers' leases, instalments, and resale agreements

II. The Bill Finance Company as a founding institution of securitization holding position for the purpose of credit enhancement: None.

III. The Bill Finance Company as securitized instruments credit impaired assets buying institution or settlement buying institution: None.

③ The Bill Finance Company as securitized instruments assurance agency or providing liquidity financing credit line: None

(III) Operational risk management system and capital requirement

1. Operational risk management system

2014

Item	Contents
(1) Strategy and procedure of operational risk management	The “Operational Risk Management Guidelines” is stipulated for the establishment of a sound operational risk management framework and reduction of operational risk losses. The framework referred to above includes: Define internal control and management measures of operational risk and objectively review the effective implementation of operational risk management mechanism in accordance with independent internal auditing procedures; stipulate operational risk identification, assessment, measurement, communication, and monitoring the management processes of implementing countermeasures; establish risk management information framework including loss event notification, follow-up and verification, and systematic control of individual loss event frequency, severity, and related information; establish emergency response and business continuity plans; ensure the resumption of operations promptly during an emergency or disaster; and maintain business operations normally.

Item	Contents
(2) Organization and framework of operational risk management system	The Company's operational risk controls mean the express enactment of various operational manuals, which may be amended from time to time due to changes in the laws and regulations, or if required, in order to help the workers follow the same. Risk Control Department shall design and introduce the operational risk management framework approved by the Board of Directors. The various units shall comply with the internal controls, laws, and the requirements about operating risk self-assessment system, fulfill the self-assessment periodically. The auditing unit shall review the effective implementation of risk management mechanisms independently and objectively to promote the Company's well-founded operation.
(3) Scope and characteristics of operational risk reporting and the measurement system	The business management units of the Head Office report the corrective actions against important operational risk loss events, operating procedures and operating systems to Risk Management Committee on a quarterly basis by functions; Risk Control Department reports the annual operational risk map to Risk Management Committee periodically, analyze the operational risk event loss data and other information, and report to the Board of Directors the development of qualitative risk management objectives (various projects); the audit unit shall report the audit result to the Board of Directors and follow up and control required improvements periodically.
(4) Hedging policies, strategy, and process of monitoring the continuing effectiveness of hedging	It is mainly to assess the probability of risk losses and the size of potential losses. The choices of countermeasures include avoidance, control, and the transfer of offset. Establish business surveillance reports and daily cross-examine the balance of business operations, risk management objectives, and limits set by external regulations. Check whether the risk exposures exceed the limit and make an alert when it reaches the vigilance level so as not to exceed the limits set by law or the Company.
(5) Approach to require the authorized capital	Basic Indicator Method

2. Capital requirement of operational risk and risk assets amount (Basic Indicator Method)

March 31, 2015 Unit: NT$ thousands

Year	Gross Profit	Capital Requirement	Risk Assets Amount
2014	3,531,959		
2013	3,597,395		
2012	3,303,855		
Total	10,433,209	521,660	6,520,755

(IV) Market risk management system and capital requirement

1. Market risk management system

2014

Item	Contents
(1) Strategy and procedure of market risk management	The "Market Risk Management Guidelines" are stipulated for the managing of market risk of financial instrument position. Control adverse movement resulted from market price causing possible losses inside and outside the Balance Sheet as guidelines for business operation. Based on domestic and foreign economic data, measure economic status, predict interest rate, and draft up operating strategies to plan control measures. The measures include daily monitor risk management objectives including the relevant position limit, loss limit, and sensitivity limit of bills, bonds, equities, and derivatives; daily conduct bills, and bonds position sensitivity analysis; and monthly validation of derivatives and equities transaction valuation.
(2) Organization and framework of market risk management system	The Company's market risk is mainly the price risk of bills, bonds, equities, and derivatives. The Risk Management Committee reviews the risk management objectives of all financial instruments. The Bills Department, Bond Department, and all branches are the main operational units for market risk control.
(3) Scope and characteristics of market risk reporting and the	The business management units of the Head Office shall submit the report on the economic situation and interest rate analysis, operation of bills, bonds, equities, and derivatives position, capital cost and deployment, and hedging strategies and implementation to Risk Management Committee on a

Item	Contents
measurement system	quarterly basis by functions; Risk Control Department reports the development of market risk management objectives to the Board of Directors on a quarterly basis; Audit Office submits the audit report on transaction of derivatives to the Board of Directors on a monthly basis. The risk measurement system and reports include bills, bonds, equities, and derivatives positions, profit and loss, risk life and stress tests, and sensitivity analysis.
(4) Hedging policies, strategy, and process of monitoring the continuing effectiveness of hedging	The Company's trade hedging strategy is to avoid price risk, implement derivatives as operating tools, and periodically assess profit and loss.
(5) Approach to require the authorized capital	Standard Method

2. Capital requirement of market risk and risk assets amount (Standard Method)

March 31, 2015 Unit: NT$ thousands

Type	Capital Requirement	Risk Assets Amount
Interest rate risk	4,624,686	57,808,575
Equity security risk	232,330	2,904,125
Foreign exchange risk	41,301	516,263
Product risk	0	0
Stock option processed with simplified method	0	0
Total	4,898,317	61,228,963

(V) The liquidity risk includes the analysis about maturity of assets and liabilities, and also explains the method to manage the asset liquidity and funding gap liquidity.

1. By the characteristics of business lines, the Company's liquidity assets include bonds, Treasury bills, Central Bank Certificate of Deposits, and short-term promissory notes, with low credit risk and liquidity.
2. The "Liquidity Risk Management Guidelines" are stipulated for the measuring of liquidity risk position effectively, maintaining adequate liquidity, and ensuring solvency. The relevant control measures include: Monitor daily the Company's cash flow deficit limits of each term and appropriately avoid capital liquidity risk; establish a capital emergency response management mechanism, activate an emergency response mechanism promptly upon the occurrence of a liquidity crunch, soaring interest rates or unexpected financial

events causing serious impacts on liquidity risk, and convene the Risk Management Committee to form contingency measures.

3. The Company's liquidity risk control is under the supervision of the Risk Management Committee. The Bills Department is responsible for daily operations and capital liquidity deficit management. The risk measurement system and reports include: Control of total main liabilities amount and capital flow deficit management of each term. The Finance Department is responsible for reporting the monitoring and control of liquidity risk.

Analysis on Maturity of Assets and Liabilities

March 31, 2015 Unit: NT$ thousands

	Total	Amount of the remaining period to maturity date				
		0 – 30 Days	31 – 90 Days	91 – 180 Days	181 Days – 1 Year	Over 1 Year
Assets	204,498	62,999	43,937	8,414	5,219	83,929
Liabilities	206,462	146,437	24,904	1,231	86	33,804
Deficit	-1,964	-83,438	19,033	7,183	5,133	50,125
Accumulated deficit		-83,438	-64,405	-57,222	-52,089	-1,964

III. The impact of domestic and foreign policies and changes in law on the Company's finance and business and the countermeasures: None.

IV. The impact of technical changes and industrial changes on the Company's finance and business and the countermeasures

(I) The impact of technical changes and industrial changes on the Company's finance and business

1. The transactions and risk control financial engineering and system are increasingly sophisticated to the advantage of bills finance company's financial and business operation.
2. The competent authorities open up new businesses (foreign currency bills and bonds, and treasury bills) that help diverse business operations and increase operating spaces to the advantage of enhancing the scale of operations.
3. The continuous development of new financial instruments has forced the bills industry to face severe challenges.

(II) The Company's countermeasures

1. Outsource systems and develop systems in-house to support transactions and risk control.
2. Construct a foreign currency bills and bonds trade platform for the customers' trade security.
3. Control risk strictly and timely conduct new businesses authorized by the competent authorities to increase revenues.

V. The impact of change of the Company's corporate identity, and the countermeasures: None.

VI. Expected effect of acquisition and the possible risk: None.

VII. Expected effect and possible risk of expanding business locations and the countermeasures: None.

VIII. Risk of business concentration and countermeasures

The Company's interest-sensitive assets position is high and has high interest rate risks due to the business nature. Therefore, the Company has managed bills and bonds related businesses with risk management objectives defined in accordance with the overall economy situation and business development needs in order to enhance risk position and risk life control to effectively control the adverse effect of market risk. In terms of credit guarantee businesses, the Company faces the risk of high guarantor concentration. Therefore, for the corporate credit business, the Company has enhanced the control of corporate credit risk in accordance with the "Procedural Guidelines for One Corporate Business Credit Control" to analyze the operation, finance, and financial liabilities of the group and corporate and to control credit balance in accordance with corporate credit rating to improve credit quality.

IX. Impact of changes in operating concessions on bills finance company, the related risk, and the countermeasures: None

X. Effect of any major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 1 percent stake in the Company is transferred or otherwise changes hands, and risk and countermeasures thereof: None.

XI. Litigious or non-litigious matters: None.

XII. Other important risks and countermeasures

The Company has business risk management objectives defined annually in accordance with the laws and policies of the competent authorities, the development of the macroeconomy, features of instruments, and competition in financial services sector; also, convenes Risk Management Committee meeting on a quarterly basis for ensuring all business operations in compliance with the defined risk management objects and reducing operational risk.

XIII. Crisis contingency measure

The Company has defined a management crisis contingency measure to help the Company resolve crisis and resume business operation on a timely manner while suffering a huge loss of fund or faces a severe shortage of liquidity that is detrimental to the Company's solvency and sustainable management. The Company is in line with the corporate risk management system, has established emergency handling and notification system, and activates related emergency response mechanism and external reporting system in accordance with the emergency event.

In terms of liquidity risk, strictly control capital deficit of each term, maintain adequate liquidity, and ensure solvency. Activate emergency response mechanism promptly upon the occurrence of liquidity crunch, soaring interest rate or unexpected financial events causing serious impact on capital by utilizing business channels and resources of the holding parent company and subsidiaries for quick access to funds pour.

In terms of information safety, define the process recovery procedures of the server system, database, terminal system, application system, computer-related facilities; also, set up remote backup center in order to resume business operation promptly.

In terms of emergency rescue and protection, the disaster prevention measures and emergency response strategies are defined and the Company's disaster prevention and rescue system is established to help minimize the impact on and damage to business operation, office equipment, document archives, and employee safety.

XIV. Other important issues: None.

Special Recorded Items

One. Affiliated enterprises

I. Consolidated business report of affiliated enterprises: N/A.

II. Consolidated financial statements of affiliated enterprises: N/A.

III. Affiliation report

(I) Declaration of MEGA BILLS FINANCE CO., LTD.

Declaration

The Company has the Affiliation Report of 2014 (January 1 – December 31, 2014) composed in accordance with the “Criteria Governing the Preparation of Consolidated Business Report, Consolidated Financial Statements, and Relation Report by Affiliated Enterprise.” Moreover, there are no significant discrepancies between the information disclosed and the information disclosed in the notes to financial statements during the period referred to above.

Sincerely yours,

Company: MEGA BILLS FINANCE CO., LTD.

Chairman: Feng-Chi Ker

March 24, 2015

(II) Independent Auditor’s Report

MEGA BILLS FINANCE CO., LTD.

Affiliation Report - Independent Auditor’s Report

Tze-Huei-Tsung-Tze No.14007414

To MEGA BILLS FINANCE CO., LTD.

Mega Bills Finance Co., Ltd. states that the Relations Report of 2014 dated March 24, 2015 was composed in accordance with the “Criteria Governing the Preparation of the Consolidated Business Report, Consolidated Financial Statements, and Relation Report by Affiliated Enterprise.” Moreover, there are no significant discrepancies between the information disclosed and the information disclosed in the notes to financial statements during the period referred to above.

We have made comparisons between the Relations Report of Mega Bills Finance Co., Ltd. and the notes to financial statements of 2014 in accordance with the “Criteria Governing the Preparation of the Consolidated Business Report, Consolidated Financial Statements, and Relation Report by Affiliated Enterprise” without any significant discrepancies found.

PricewaterhouseCoopers, Certified Public Accountants

Chien-Hung Chou, CPA

March 24, 2015

(III) Relationship between subsidiary and parent company

Unit: shares; %

Parent Company	Cause of Control	Shareholding & pledge of parent company			Directors, Supervisors, and Managers appointed by parent company	
		Quantity of Shares Held	Shareholding	Pledged shares	Job Title	Name
Mega Financial Holding Co., Ltd.	Wholly owned	1,311,441,084	100%	0	Chairman	Feng-Chi Ker
					Director & President	Chi-Fu Lin
					Independent Director	Tsai-Chih Chen
					Independent Director	Tai-Lung Chen
					Director	Jui-Yun Lin
					Director	To-Ching Hu
					Director	Zong-Ming Yen
					Director	Chun-Hsiang Li
					Supervisor	Tan-Hun Lu
					Supervisor	Ching-Lung Hung
					Supervisor	Chia -Min Hung

(IV) Transactions

1. Purchase (sales) transaction: None.
2. Property trade: None.
3. Financing transaction: None.
4. Assets leasing: None.
5. Other important transactions:
   Bills and bond trade

Unit: NT$ thousands

Transactions conducted with parent company		Trade terms and conditions with parent company	Remarks
Item	Amount		
Purchase of bills and bonds	22,334,888	Terms of trade transactions are same as non-related party's trade terms	N/A
Total RS & RP Balances of repo trades with related parties	899,089	Terms of trade transactions are same as non-related party's trade terms	Interest expense: $318,000
Outstanding balance of repurchase/resale agreements	-		
The highest balance of guarantee-free commercial paper issued.	3,600,000	Terms of trade transactions are same as non-related party's trade terms	Fee income: $825,000
The ending balance of guarantee-free commercial paper issued.	-		

(V) Endorsement and guarantee: None.

(VI) Other matters with a significant impact on finance and business: None.

Two. Offering of marketable securities as of last year and the Annual Report publication date: None.

Three. Subsidiary holds or disposes the shares of the Company as of last year and the Annual Report publication date: None.

Four. Other supplementary information: None.

Five. Matters that have a significant impact on the shareholders' equity or securities price as defined in Securities Exchange Act Article 36.2.2 as of last year and the Annual Report publication date: None.

MEGA BILLS FINANCE CO., LTD.

Chairman of the Board: Feng-Chi Ker

Head Office

2~5F, No. 91 Heng-yang Road, Taipei City

Tel. No.: (02) 2383-1616 (Representative)

Fax: (02) 2382-2878 (Administration Department)

Website: http://www.megabills.com.tw/