Mega Holdings

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

2015

■ 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 Shu-Mei Ji, 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 2015

I. Global and Taiwan Financial Environment, 2015

Chairman of the Board Feng-Chi Ker

Momentum of the global economy had generally weakened in 2015, with the United States exhibiting very different performance from the rest of the world. While the U.S. gained in growth, other major economies such as the Eurozone and Japan had slowed down, and the most noticeable slowdown of all was Mainland China. Expectations toward the rise of the U.S. dollar interest had triggered the weakening of currencies in several countries, and its contradiction against expansionary monetary policies in most other countries also contributed to additional volatility in the financial market. In terms of oil prices, lack of demands around the world had caused prices to plummet by nearly 60% in 2015, while many other commodities and raw materials had also fallen in price. As a result, inflation was generally below the target estimated by most central banks worldwide. In 2016, the global economy might recover at an even slower rate than it did last year, as the U.S. is finally taking steps to dial down its prolonged quantitative easing monetary policy while Mainland China undergoes a structural adjustment of its economy. In view of the additional downside risk, research institutions have generally revised down their forecasts toward the global economic growth rate in 2016.

The domestic economy, on the other hand, is being dragged down by the loss of exports caused by weakened foreign demand and low commodity prices that deterred buyers from stocking inventory. According to statistics published by the Ministry of Finance, Taiwan has been experiencing negative export growth consecutively since February 2015, setting record for the longest recession streak since the global financial crisis. The 10.6% yearly decline in exports was also rare in recent years. In terms of domestic prices, the Directorate-General of Budget, Accounting and Statistics (DGBAS) concluded a 0.31% fall in consumer price index (CPI) in 2015, which reflected the drop of global oil and commodity prices. DGBAS expects CPI to increase slightly by 0.69% in 2016, and has estimated the economic growth rate at -0.28% for Q4 2015 and +0.85% for the whole year, which is a six-year low. Lastly, growth in 2016 is estimated at 1.47%. To sum up, absence of noticeable signs of global recovery in 2016 coupled with increasingly competitive supply chain in Mainland China will continue to present challenges to the domestic economy.

In terms of the monetary policy, the central bank had decided to reduce its rediscount rate, rate on accommodations with collateral, and rate on accommodations without collateral to 1.625%, 2% and 3.875%, respectively, following the two board meetings held on September 24 and December 17, 2015, on the basis that local economic growth had lost its momentum significantly since Q2 2015, and that commodity price level was stable while real interest rate was relatively high. The central bank continued to provide the market with abundant liquidity through open market operations. M2 growth averaged 6.34% in 2015, which was close to the upper limit of the target growth range (2.5%-6.5%). The central bank might continue its expansionary monetary policy until the domestic economy shows positive sign of recovery.

II. Organizational changes:

(I) On January 26, 2015, the Company's Chiayi Branch was relocated to Taipei and has since been renamed Taipei Branch.

(II) Established "Legal Affairs and Compliance Department" on February 4, 2015.

III. Results of Implementation of Business Plan and Strategy:

Unit: NT$ million

Item	Final Accounting Figure, 2015	Final Accounting Figure, 2014	Increase/ Decrease (%)
Underwriting and purchasing bills	2,334,321	2,357,881	-1.00
CP2 issued amounts	2,050,131	2,054,137	-0.20
Trading volume of bills	8,177,922	8,363,843	-2.22
Trading volume of bonds	5,592,022	5,906,712	-5.33
Guaranteed issued of CP2 average outstanding balance	148,882	143,178	3.98
Overdue credit amounts	0	0	-
Percentage for overdue credits (%)	0	0	-

IV. Budget Implementation

Unit: NT$ million

Item	Final Accounting Figure, 2015	Budget Figure, 2015	Achievement Rate (%)
Underwriting and purchasing bills	2,334,321	2,254,808	103.53
CP2 issued amounts	2,050,131	1,965,145	104.32
Trading volume of bills	8,177,922	8,222,864	99.45
Trading volume of bonds	5,592,022	5,341,264	104.69
RP outstanding balance of bills and bonds	173,109	164,362	105.32
Guaranteed issued of CP2 average outstanding balance	148,882	146,000	101.97
Overdue credit amounts	0	0	-
Percentage for overdue credits (%)	0	0	-
Net Income	3,010	2,663	113.03

V. Financial Income and Expenditure, and Analysis of Profitability

Unit: NT$ million

Item	Final Accounting Figure, 2015	Item	Final Accounting Figure, 2015
Gross profit	4,164	EPS (NT$)	2.30
Income before tax	3,506	ROA (%)	1.37
Net Income	3,010	ROE (%)	8.91

VI. Research & Development

(I) Management

1. Completed a paperless meeting system and a paperless report management system.
2. Replaced the Company’s intranet equipment and redundant PCs.
3. Purchased security endpoint protection system for PCs.

(II) Product and Business

1. Conducted studies on improving the efficiency of foreign bonds settlement.
2. Conducted studies and compliance on the Equator Principles.

President and CEO Chi-Fu Lin

(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. Made plans for the prevention of “money laundering and financing terrorists risks.”

Two. Summary of Business Plan 2016:

I. Operating Guidelines

(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, 2016
Underwriting and purchasing bills	2,355,944
CP2 issued amounts	2,089,904
Trading volume of bills	8,244,313
Trading volume of bonds	5,599,264
RP outstanding balance of bills and bonds	173,785
Guaranteed issued of CP2 average outstanding balance	152,500

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 Operational Policies

(I) Weak economic performance has given rise to additional credit risks. To enhance risk management, the Company will continue to monitor clients' business and finance ability, their industry outlook and funding capacity for better decision-making on their credit limit.

(II) Observe financial market trends and strive to maintain a leadership position by expanding bills issuance scale and interest spread and controlling the volumes of issuance and trading.

(III) Actively invite other banks to co-host syndicated loan projects, as well as work on organizing underwriting non-guarantee commercial papers projects to generate service revenues for bills business.

(IV) Actively participate in the bidding of treasury bills; build up position and increase spread by engaging in underwriting NCDs, bank-guaranteed bills and non-guarantee commercial papers business to stabilize bills sources and generate service revenues for bills business.

(V) Expand interest spread by adjusting primary/secondary market interest rates and bills position according to central bank's expansionary monetary policy.

(VI) Monitor market demands and the trading interest spread of foreign currency NCDs to expand market opportunities for greater profitability.

(VII) Continue to observe changes in domestic and overseas financial markets; pay attention to the monetary policy of the Central Bank and the changes in domestic economy; adjust bonds positions on a timely basis and carefully engage in the outright purchase/sale of bonds position to enhance operating efficiency.

(VIII) Explore opportunities in foreign bonds; monitor yield curve movements and expand position when appropriate to maintain interest spread, also diversify country risks.

(IX) Develop foreign currency secondary market clients' base as the Company expands its trading volume in foreign currency bonds; build up corporate clients' base for stable and low-cost supply of funding, thus lowering interest expenses and generating more income.

(X) Aim to diversify foreign currency funding risks through interbank borrowing/lending, FX swap and repurchase agreements.

(XI) Conduct in-depth analysis on fundamental and technical aspects of stock investments targets; capture market trends to generate more investment profits.

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

(XIII) Devote greater efforts in claiming debts with recourse and dispose of collaterals to increase recoverable overdue credit amounts.

(XIV) 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.

(XV) Promote paper-less meeting system and 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) Continue to build and adjust proper bonds position, expand the business scale of Repurchase Agreements (RP), and operate derivatives products to maintain stable profitability.

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

(IV) Continue to engage in talents development.

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

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

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

(VIII) Aggressively develop new business types to expand existing business scale.

(IX) Establish business presence in Mainland China in line with future deregulations.

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) Banks are facing increasingly stringent requirements on liquidity coverage ratio, which may affect its amount of bills purchased from the Company.

(V) Mainland China's economic growth is expected to slow down as it undergoes structural adjustments. Meanwhile, the weakened price of energy and commodities coupled with tightening monetary policy in U.S. are likely to undermine global and domestic economic growth.

(VI) The U.S. FED began raising interest rate in December 2015, while the local central bank has lowering interest rate twice in September and December 2015. This deviation in interest rate policies has made local bonds yield curve much difficult to predict, thus increasing trading difficulty.

(VII) The global economy is undergoing a slow recovery with many uncertainties along the way. Increased volatility in the financial market has made stocks investing and bonds trading difficult.

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+	2015.10.20

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.

Maintaining profitability in a world of stagnant growth and financial prospects uncertainties will pose bigger challenge in our future operations. Nevertheless, we expect to lead our employees through another year of greatness by contributing more income to our sole shareholder, Mega Financial Holdings Company, following 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.

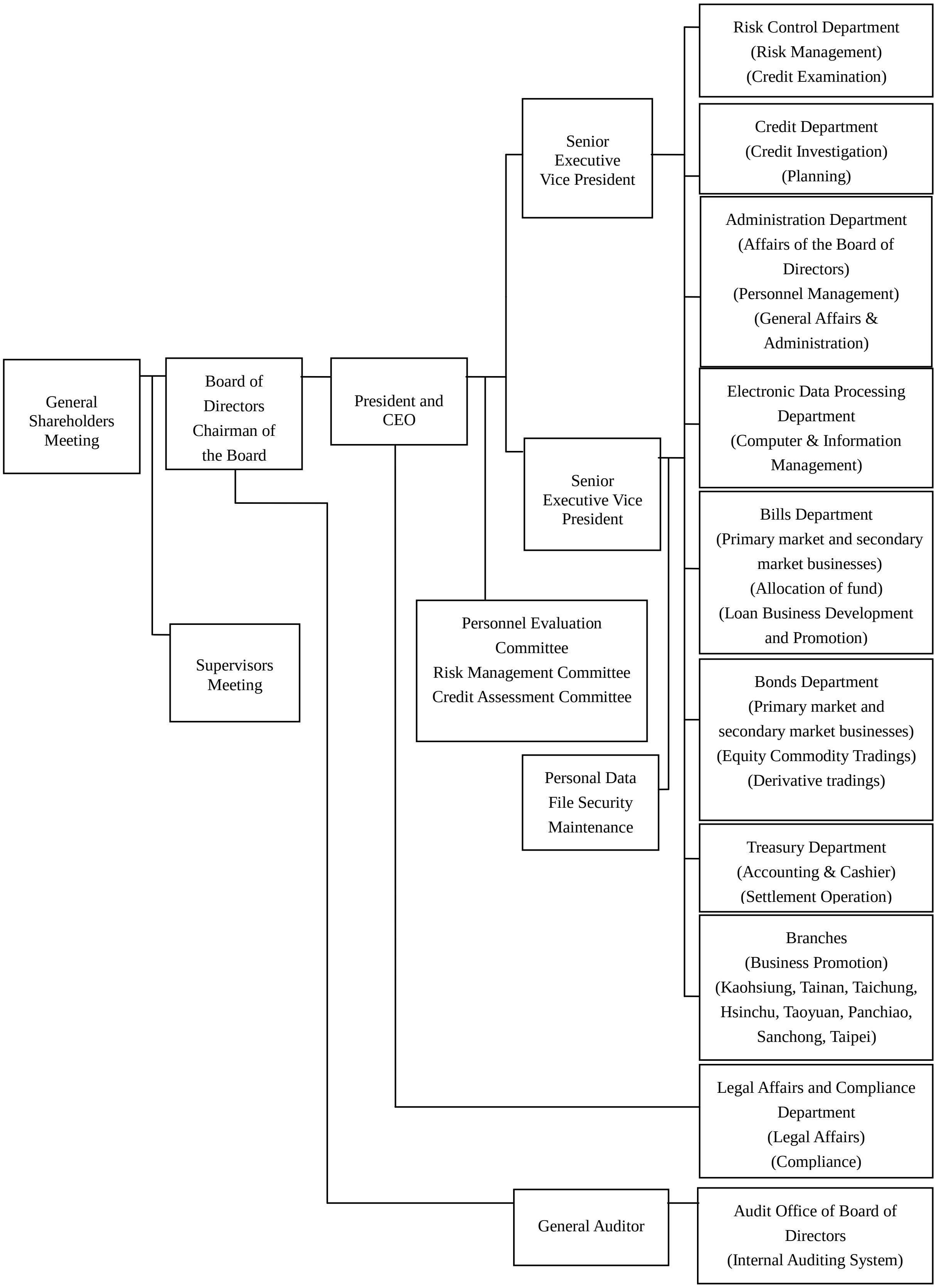
(XII) August 3, 2009, share capital was reduced by $2 billion to NT$13.11 billion.

(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 31, 2016

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	Director of Mega Asset Management Corporation, Vice President of Mega Holdings, Vice President and head of Credit Control Department of Mega Bank	None	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, 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; Director of Financial Research Institute and Overseas Business Institute; Chairman of Education and Training Committee, Certified Financial Planners (CFP) of Taiwan; member of Research and Development Committee - Mainland Division, The Bankers Association of the Republic of China; and Member of Executive Committee on Financial Information System Inter-Bank Protocol	Independent Director of Mega Bank; Secretariat of Financial Planning Association of Taiwan	

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 Holdings - Director, Assistant Vice President of Treasury Department; Mega Bank - Supervisor; Taiwan Business Bank - Managing Director, Supervisor	Senior Executive Vice President of Mega Holdings; 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, Acting President of Chung Kuo Insurance Company, Limited and VP of Chung Kuo Insurance Company, Limited, Consultant of Chung Kuo Insurance Company, Limited	Vice President of Chung Kuo Insurance	
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, part-time lecturer of Chung Hua University Department of Technology Management, and advisor for Hsinchu City Government	Director of Wind Online Corporation, Vice Chairman of Wholetech System Hitech Limited, Supervisor of Ablerex Electronics Co., Ltd., visiting professor of Hsuan Chuang University postgraduate business administration program, consultant of Chinese Professional Management Association of Hsinchu	
Director	Republic of China	Chun-Hsiang Lee	2015.03.02	2018.03.01	2015.03.02		Master of Accounting, University of Illinois	Mega Bank - Manager of Treasury Department	Assistant Vice President of Finance Department, Mega Bank; Director of China Products Company; Director of ICBC Assets Management & Consulting Co., Ltd.; Director of Taipei Forex Inc.; Cathay Investment & Development Corporation (Bahamas) - Director	

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 - Vice President, Managing Director; Mega Holdings - Vice President; Mega Venture Capital - Chairman; Global Venture Investment Co., Ltd. - Chairman; Waterland Financial Holdings-Supervisor; Win Card Co., Ltd. - Director	Chairman of Yung Shing Industries Co., Ltd. ;Chairman of China Products Trading Co; Director of Mega Venture Capital; Director of Cathay Investment & Development Corporation (Bahamas); Director of Mega International Commercial Bank Public Co., Ltd.	
Supervisor	Republic of China	Ching-Lung Hung	2015.03.02	2018.03.01	2015.03.02		Master of Commerce, Waseda University	Mega Bank -General Auditor; Mega Bank - Assistant Vice President and manager of Foreign Department, Assistant Vice President and head of Central Credit Center	Supervisor of Mega International Investment Trust Co., Ltd.	
Supervisor	Republic of China	Jin-Cun Chen (Note 4)	2015.09.01	2018.03.01	2015.09.01		Ph.D of Engineering (Finance Major), National Taiwan University of Science and Technology	Member of Consultative Committee, Central Deposit Insurance Corporation; Dean of College of Finance, Takming University of Science and Technology; Standing Supervisor of Mega Bank; Supervisor of Hua Nan Financial Holdings; Director and Standing Director of First Commercial Bank Ltd; Director and Independent Director of Chunghwa Telecom Co., Ltd.; Supervisor of Joint Credit Information Center; Head of Management Center, Head of General Affairs, Vice President, Acting President and Professor of National Central University	Supervisor of Mega Securities; Supervisor of Taipei Rapid Transit Corporation; Consultant, Sector Chief Editor and Deputy General Editor of Taiwan Academy of Banking and Finance; Ombudsman Officer of Financial Ombudsman Institution; Professor of College of Finance, Takming University of Science and Technology	

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 Holdings.
2. The Company's 14th board of directors and supervisors were appointed by Mega Holdings 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 Lee, 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.
4. Mega Holdings appointed Mr. Jin-Cun Chen on 2015.8.25 to replace Supervisor Jia-Min Hung, effective since 2015.9.1.

2. Major shareholders of corporate shareholders

Transfer to be suspended on December 31, 2015

Name of Corporate shareholder	Major shareholders of Corporate shareholders (with shareholding among the top 10)	Shareholding
Mega Financial Holding Co., Ltd.	Ministry of Finance	8.40%
	National Development Fund, Executive Yuan of the R.O.C.	6.11%
	Chunghwa Post Co., Ltd.	3.44%
	Fubon Life Insurance Co., Ltd.	3.22%
	Bank of Taiwan Co., Ltd.	2.46%
	Cathay Life Insurance Co., Ltd.	1.98%
	Nan Shan Life Insurance Company Ltd.	1.90%
	Taiwan Tobacco & Liquor Corporation	1.56%
	China Life Insurance Company Limited	1.52%
	Pou Chen Corporation	1.41%

3. Major Shareholders of Major Corporate Shareholders

Shares transfers suspended on December 31, 2015

Name of corporate entity	Key shareholders of corporate entity (Note)	Shareholding
Ministry of Finance	Government	
National Development Fund, Executive Yuan	Government	
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications	100.00%
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.	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%
Nan Shan Life Insurance Company Ltd.	First Bank in its Capacity as Trustee of Ruen Chen Investment Holding	76.46%
	Ruen Chen Investment Holding	14.16%
	Ying-Zong Du	3.25%
	Taishin Bank in its Capacity as Trustee of Nanshan Life Insurance - Equity Trust Account	0.87%
	Ruen Hua Dyeing & Weaving Co., Ltd.	0.28%
	Ruentex Leasing Co., Ltd.	0.15%
	Jipin Investment Co., Ltd.	0.11%
	Bao Chi Investment Co., Ltd.	0.05%
	Bao Yi Investment Co., Ltd.	0.05%
	Bao Hui Investment Co., Ltd.	0.05%

	Bao Huang Investment Co., Ltd.	0.05%
Taiwan Tobacco & Liquor Corporation	Ministry of Finance	100.00%
China Life Insurance Company Limited	KGI Securities Co., Ltd. Citibank entrusted with Singapore Government Investment Account J. P. Morgan Taiwan - Taipei Branch entrusted with Saudi Arabia Central Bank Investment Account Deutsche Bank AG Taipei Branch in its Capacity as Master Custodian for Investment Account of New York Trust Videoland Inc. Cathay Life Insurance Co., Ltd. JP Morgan Chase Bank Taipei Branch in its Capacity as Master Custodian for Investment Account of Abu Dhabi Investment Authority HSBC Bank (Taiwan) Limited in its Capacity as Master Custodian for Investment Account of Invesco Asia Equity Fund New Labor Pension Fund JP Morgan Chase Bank in its Capacity as Master Custodian of T. Rowe Price Institutional Emerging Markets Equity Fund	9.78% 3.26% 2.88% 2.41% 2.35% 1.94% 1.84% 1.79% 1.65% 1.50%
Pou Chen Corporation	PC Brothers Corporation Quan Mao Investment Co., Ltd. Red Magnet Developments (BVI) Ltd. Kai Tai Investment Co., Ltd. Taishin International Bank in its Capacity as Trustee for Property Account of Chi-Jui Tsai Fubon Life Insurance Co., Ltd. Bank of Taiwan entrusted with Investment Account of UOB Kay Hian Private Company Mega International Commercial Bank in its Capacity as Master Custodian for Investment Account of Mega Securities (Hong Kong) Co., Ltd. New Labor Pension Fund Standard Chartered Bank in its Capacity as Master Custodian for LGT Bank (Singapore) Ltd.	7.24% 5.55% 4.60% 4.55% 3.46% 3.16% 2.36% 1.86% 1.78% 1.70%

Note: Top 10 shareholders

4. Information about directors and supervisors (2)

March 31, 2016

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 certificates from national examinations in Taiwan required by the company's businesses	Work experience required for business, law, finance, accounting or corporation busines	1	2	3	4	5	6	7	8	9	10	
Feng-Chi Ker			V	V	V	V	V			V	V	V		0
Chi-Fu Lin			V		V	V	V	V	V	V	V	V		0
Tsai-Chih Chen	V		V	V	V	V	V	V	V	V	V	V	V	0
Tai-Lung Chen			V	V	V	V	V	V		V	V	V	V	1
Jui-Yun Lin	V		V			V	V			V	V	V		0
To-Ching Hu			V		V	V	V	V		V	V	V		0
Zong-Ming Yen	V		V	V	V	V	V	V	V	V	V	V		0
Chun-Hsiang Lee			V		V	V	V	V		V	V	V		0
Dan-Hun Lu	V		V			V	V			V	V	V		0
Ching-Lung Hung			V			V	V	V		V	V	V		0
Jin-Cun Chen	V		V	V		V	V	V	V	V	V	V		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., 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, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultation to the Bills Finance Company or any of its affiliated companies; nor a spouse to anyone listed herein. 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, 2016

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 Holdings	–	–	–	–
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, Panchiao 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	–	–	–	–

Executive Vice President and General Manager, Electronic Data Processing Department	Republic of China	Hsi-Bin Yo	2014.05.16	–	–	–	–	–	–	Master of Graduate Institute of Engineering, National Taiwan University of Science and Technology	General Manager, Electronic Data Processing 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, National Taiwan University	Deputy General Manager, Risk Control Dept. MBF	Director, Core Pacific City Co., Ltd.	–	–	–
General Manager, Administration Department	Republic of China	Ming-Pao Wang	2016.03.01	–	–	–	–	–	–	Master, Graduate Institute of Accounting and Taxation, Feng Chia University	Acting manager of Administration Department	–	–	–	–
Legal Affairs and Compliance Department Acting manager	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, Taichung 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	—	—	—	—
Executive Vice President and Panchiao Branch manager	Republic of China	Ming-Chih Cheng	2015.06.01	—	—	—	—	—	—	Ph.D. in International Relations, Jinan University	General Manager, Panchiao Branch, MBF	—	—	—	—
General Manager, Taipei Branch	Republic of China	Jia- Chi Shao	2015.06.01	—	—	—	—	—	—	Department of Accounting and Statistics, Shih Chien College of Design (3-year program)	Deputy General Manager, Taipei 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, 2015; 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 Remuneration (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							
Chairman	Feng-Chi Ker (Note 1)																									
Director	Chi-Fu Lin (Note1)																									
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 Lee (Note 1)																									
Former Chairman	Chii-Bang Wang (Note 1)																									
Former Director	Chao-Hsien Lai (Note 1)																									
Former Director	Ying-Hua Wu (Note 1)																									
Total		8,001	8,001	-	-	-	-	2,201	2,201	0.34	0.34	6,591	6,591	-	-	-	-	-	-	-	-	-	-	0.56	0.56	None

Note:

1. The Company's 14th board of directors and supervisors were appointed by Mega Holdings on 2015.2.24 to serve a term from 2015.3.2 until 2018.3.1. The 14th board of directors (including independent directors) consist of: 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, and Director Chun-Hsiang Lee.
2. Directors' remuneration (including independent directors) was accurate as at 2015.12.31.
3. 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.
4. Performance bonus to senior management and employees' remuneration were estimated figures. The actual amount is subject to parent company's approval.

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	Chii-Bang Wang, Chi-Fu Lin, Tsai-Chih Chen,Tai-Lung Chen, Jui-Yun Lin, To-Ching Hu, Zong-Ming Yen, Chun-Hsiang Lee, Chao-Hsien Lai, Ying-Hua Wu	Chii-Bang Wang, Chi-Fu Lin, Tsai-Chih Chen, Tai-Lung Chen, Jui-Yun Lin,To-Ching Hu, Zong-Ming Yen, Chun-Hsiang Lee, Chao-Hsien Lai, Ying-Hua Wu	Chii-Bang Wang, Tsai-Chih Chen, Tai-Lung Chen, Jui-Yun Lin, To-Ching Hu, Zong-Ming Yen, Chun-Hsiang Lee, Chao-Hsien Lai, Ying-Hua Wu	Chii-Bang Wang, Tsai-Chih Chen, Tai-Lung Chen, Jui-Yun Lin, To-Ching Hu, Zong-Ming Yen, Chun-Hsiang Lee, Chao-Hsien Lai, Ying-Hua Wu
NT$2,000,000 ~ NT$5,000,000				
NT$5,000,000 ~ NT$10,000,000	Feng-Chi Ker	Feng-Chi Ker	Feng-Chi Ker, Chi-Fu Lin	Feng-Chi Ker, Chi-Fu Lin
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$ Thousands)	10,202	10,202	16,793	16,793

Note: this remuneration bracket table is accurate as 2015.12.31

(II)Remuneration to Supervisors

December 31, 2015; unit: NT$ thousands

Job Title	Name	Supervisors' remuneration: Remuneration (A): The Company	Remuneration (A): All companies included in the financial statements	Pension (B): The Company	Pension (B): All companies included in the financial statements	Remuneration (C): The Company	Remuneration (C): All companies included in the financial statements	Professional practice expenses (D): The Company	Professional practice expenses (D): All companies included in the financial statements	Sum of A, B, C, and D as a percentage of after-tax profit: The Company	Sum of A, B, C, and D as a percentage of after-tax profit: All companies included in the financial statements	Remuneration from invested businesses other than the subsidiaries
Supervisor	Dan-Hun Lu											
Supervisor	Ching-Lung Hung											
Supervisor	Jin-Cun Chen (Note)											
Former Supervisor	Chia-Min Hung(Note)											
Total		-	-	-	-	-	-	843	843	0.03	0.03	None

Note: Dan-Hun Lu, Ching-Lung Hung and Jia-Min Hung were appointed by Mega Holding on 2015.2.24 to serve as the Company's 14th board of supervisors; on 2015.8.25, Mr. Jin-Cun Chen was appointed to replace Supervisor Jia-Min Hung, effective since 2015.9.1.

Scales of Remuneration

Supervisor' remuneration bracket	Supervisor's Name – Total of (A+B+C+D): The Company	Supervisor's Name – Total of (A+B+C+D): All companies included in the financial statements (E)
Below NT$ 2,000,000	Dan-Hun Lu, Ching-Lung Hung, Jin-Cun Chen, Chia-Min Hung	Dan-Hun Lu, Ching-Lung Hung, Jin-Cun Chen, 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 ($ 1,000)	843	843

Note: this remuneration bracket table is accurate as 2015.12.31

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

December 31, 2015; unit: NT$ thousands

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowance, et al. (C)		Employee remuneration (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 in consolidated 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 Amount	Stock Amount	Cash Amount	Stock Amount							
President and CEO	Chi-Fu Lin																	
Senior Executive Vice President	Chin-Tsan Wei																	
Senior Executive Vice President	Ching-Wen Wu																	
Senior Executive Vice President and General Auditor	Yi-Sheng Wang																	
Total		9,660	9,660	-	-	9,109	9,109	3,622	-	3,622	-	0.74	0.74	-		-		None

Note:

1. President and CEO and Senior Executive Vice Presidents' remuneration were accurate as at 2015.12.31
2. Performance bonus and employees' remuneration were estimated figures. The actual amount is subject to parent company's approval.
3. Refer to Schedules A and B on page 34 for details relating to company vehicles, gas and housing subsidies.

Scales of Remuneration

President and CEO and Senior Executive Vice Presidents' remuneration brackets	Names of 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		
NT$5,000,000 ~ NT$10,000,000	Chi-Fu Lin, Chin-Tsan Wei, Ching-Wen Wu, Yi-Sheng Wang	Chi-Fu Lin, 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 ($ Thousands)	22,391	22,391

Schedule A. Vehicles provided to Chairman of the Board, Presidents and CEO and Senior Executive Vice Presidents, and imputed annual rent thereof in 2015

December 31, 2015; unit: NT$ Thousand

Job Title	User	Purchase of Vehicle	Imputed Annual Rent	Fuel Expense	Remark
Chairman of the Board	Feng-Chi Ker	-	2,259	157	Rental
President and CEO	Chi-Fu Lin				
Senior Executive Vice President	Chin-Tsan Wei				
Senior Executive Vice President	Ching-Wen Wu				
Senior Executive Vice President and General Auditor	Yi-Sheng Wang				
Former Chairman	Chii-Bang Wang				

Note: Drivers' salary, bonus and allowance totaling NT$1,426,000 were paid in 2015 as compensation for the Chairman and President's service.

Schedule B. Housing allowance provided for the Chairman, the President, and Senior Executive Vice Presidents in 2015

December 31, 2015; unit: NT$ thousands

Job Title	User	Cost	Imputed Annual Rent	Remark
Chairman of the Board	Feng-Chi Ker	-	653	
President and CEO	Chi-Fu Lin	3,438		
Former Chairman	Chii-Bang Wang	-		

(IV) Names of managers entitled to employee remuneration and amount entitled

December 31, 2015; unit: NT$ thousands

Job Title	Name	Amount paid in shares	Amount paid in cash	Total	As a percentage of after-tax profit (%)
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				
Executive Vice President	Ming-Chih Cheng				
General Manager	Chih-Hsiung Chiu				
General Manager	Kun-Shui Lin				
General Manager	Shuo-Cheng Lee				
General Manager	Ming-Pao Wang				
General Manager	Shih-Yi Chen				
General Manager	Shih-Ming Wang				
General Manager	Cheng-Bi Dai				
General Manager	Jia-Ji Shao				
Total		-	15,359	15,359	0.51

(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 1.14% and 1.11% of after-tax profit in 2014 and 2015, 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 of the Board and the director who co-heads the President and CEO 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:

15(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
Chairman of the Board	Feng-Chi Ker	13	0	100	Elected on 2015.3.2
Director / President and CEO	Chi-Fu Lin	13	0	100	On board 2015.3.2
Independent Director	Tsai-Chih Chen	14	1	93	
Independent Director	Tai-Lung Chen	14	1	93	
Director	Jui-Yun Lin	14	1	93	
Director	To-Ching Hu	15	0	100	
Director	Zong-Ming Yen	14	1	93	
Director	Chun-Hsiang Lee	13	0	100	On board 2015.3.2
Former Chairman	Chii-Bang Wang	2	0	100	Discharged 2015.3.2
Former Director	Chao-Hsien Lai	2	0	100	Discharged 2015.3.2
Former Director	Ying-Hua Wu	2	0	100	Discharged 2015.3.2

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). 42nd meeting of the 13th board held on February 24, 2015: Motion to fund charity activities of “Mega Charity Foundation” by way of a donation, for which Director Jui-Yun Lin and Director Chao-Hsien Lai abstained from all discussion and voting in relation to the agenda.
   (2). 1st meeting of the 14th board held on March 2, 2015: 1. Motion to elect one Chairman among attending directors; Director Feng-Chi Ker abstained from the voting, and the session was chaired by Independent Director Tsai-Chih Chen instead. 2. Motion to appoint President; Director Chi-Fu Lin had abstained from the discussion and voting.
   (3). 2nd meeting of the 14th board held on March 24, 2015: 1. Motion to grant special leave of absence for Chairman Feng-Chi Ker; Chairman Feng-Chi Ker had abstained from the voting, and the session was

chaired by Independent Director Tsai-Chih Chen instead. 2. Motion to approve monthly compensations for Chairman Feng-Chi Ker and President Chi-Fu Lin; Chairman Feng-Chi Ker and President Chi-Fu Lin had abstained from discussion and voting, and the session was chaired by Independent Director Tsai-Chih Chen instead. 3. Motion to grant Prince Housing & Development Corp. the credit limit to issue guaranteed commercial papers; Director Chun-Hsiang Lee, Supervisor Dan-Hun Lu, and Supervisor Ching-Lung Hung had abstained from discussion and voting.

(4). 3rd meeting of the 14th board held on April 24, 2015: Motion to exercise shareholder authority and remove restrictions against directors' involvement in competing businesses; Director Chun-Hsiang Lee had abstained from discussion and voting.

(5). 5th meeting of the 14th board held on May 26, 2015: Motion to grant Sunrise Golf and Country Club the credit limit to issue guaranteed commercial papers; Director Chun-Hsiang Lee, Supervisor Dan-Hun Lu and Supervisor Ching-Lung Hung had disassociated from discussion and voting.

(6). 8th meeting of the 14th board held on August 25, 2015: Motion to underwrite guarantee-waiver commercial paper of Mega Asset Management Co., Ltd.; Chairman Feng-Chi Ker had abstained from voting and discussion.

(7). 9th meeting of the 14 board held on September 22, 2015: Motion to grant Highwealth Construction Corp., Sunrise Golf and Country Club, and Zhan Cheng Development Co., Ltd. the credit limit to issue guaranteed commercial papers; Director Chun-Hsiang Lee, Independent Director Tai-Lung Chen (absent) and Supervisor Ching-Lung Hung (absent) had abstained from discussion and voting.

(8). 10th meeting of the 14th board held on October 27, 2015: Motion to grant YeaShin International Development Co., Ltd., SinoPac Leasing Co., and Ching Fu Shipbuilding Co., Ltd. the credit limit to issue guaranteed commercial papers; Director Chun-Hsiang Lee, Independent Director Tai-Lung Chen, and Supervisor Ching-Lung Hung had abstained from discussion and voting.

(9). 12th meeting of the 14th board held on November 24, 2015: 1. Motion to lease all 33 parking lots in B2, the entire B1, 1F~5F, and 10F~13F of Mega Financial Building to Mega International Commercial Bank, and to rent part of B1 area plus 13 parking lots, 2F~5F, and part of 10F area in Mega Hengyang Building owned by Mega International Commercial Bank for office premise and parking for the two companies; Director Chun-Hsiang Lee, Independent Director Tai-Lung Chen, and Supervisor Ching-Lung Hung had abstained from discussion and voting. 2. Motion to grant Sunrise Golf and Country Club the credit limit to issue guaranteed commercial papers; Director Chun-Hsiang Lee, Independent Director Tai-Lung Chen and Supervisor Ching-Lung Hung had abstained from discussion and voting.

(10). 13th meeting of the 14th board held on December 22, 2015: Motion to grant Tone Ray Construction Co., Ltd. the credit limit to issue guaranteed commercial papers; Director Chun-Hsiang Lee, Independent Director Tai-Lung Chen and Supervisor Ching-Lung Hung had abstained from discussion and voting.

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:

15(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	93	
Supervisor	Ching-Lung Hung	14	93	
Supervisor	Jin-Cun Chen	5	100	Onboard 2015.09.01
Former Supervisor	Jia-Min Hung	10	100	Discharged 2015.09.01

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:(03)327-7248/Fax:(03)327-1580/Address:2F, No. 35, Fuxing Second Road, Guishan District, Taoyuan City 3377
   (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 Holdings. All above matters are handled according to the policies of Mega Holdings. 2. Mega Holdings 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 Holdings and Subsidiaries Firewall Policy" govern dealings with affiliated entities. (1). Information security: the Company has established trading 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 trading: the Company maintains a list of related parties and reports trading regularly to the parent company - Mega Holdings, through which related party disclosures are made to the authority.	Compliant with "Corporate Governance Code of Conduct for Bills Finance 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 Holdings. 2. The Company evaluates independence of its external auditors at the time of appointment.	Compliant with "Corporate Governance Code of Conduct for Bills Finance 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 Code of Conduct for Bills Finance 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 a "Spokesman and Acting Spokesman 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 TWSE or GTSM; its information is disclosed via the parent company - Mega Holdings.	Compliant with "Corporate Governance Code of Conduct for Bills Finance Companies"
5. Has the company assembled a functional committee such as a nomination committee?		V	None	The Company is a 100%-owned subsidiary of Mega Holdings; its directors and supervisors are entirely appointed by Mega Holdings. Currently, the board of directors makes all major decisions of the Company.
6. Existing corporate governance practices and deviation from "Corporate Governance Code of Conduct for Bills Finance Companies:" The Company has complied with all requirements of "Corporate Governance Code of Conduct for Bills Finance 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 Holdings, 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' ongoing education: Courses attended by some of the directors and supervisors included: "Directors'/Supervisors' Responsibility in Information Disclosures and Misstatements," "External Auditing and Internal Control - A Directors' and Supervisors' Perspective," "Governance Vision of First-time Directors/Supervisors and Board Efficiency," "Board Functionality and Effect of Resolution," "Share Ownership Planning and Director/Supervisor Election for TWSE/TPEX Listed Companies," "Corporate Governance and Sustainable Management," "Risk Management, Internal Control and IT Management in Practice," "Independent Directors and Audit Committees in Practice," "Independent Directors - "Outsiders" with Greater Responsibilities? An Investigation into Independent Directors' Responsibilities," and "Professional Directors'/Supervisors' Governance Vision and Assembly of An Efficient Board" organized by Taiwan Corporate Governance Association; "Corporate Governance 2.0 - Global Perspective and Taiwan Experience," "Corporate Governance Forum - CSR: The Future Competitiveness," "International Money Laundering Prevention Workshop," and "Trust Supervisors Workshop" organized by Taiwan Academy of Banking and Finance; and "International Conference on Corporate Governance, Financial Supervision and Laws" jointly organized by Taiwan Stock Exchange Corporation, Taiwan Society of International Law, and Taiwan Academy of Banking and Finance. (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 Holdings. 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 Trading Disputes and Customer Grievance" that outlines the rules the Company is bound to comply with respect to consumers' and customers' interests. The "Bills/Bonds 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 Holdings; 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?	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

Item	Status		
	Yes	No	Summary description
(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		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 meetings, 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 2015, the Company used 5.24% lesser water, 2.72% lesser power and 5.84% lesser fuel.
3. Enforcement of public welfare (1). Has the company developed its policies and procedures in accordance with laws and International Bills 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 regular basis, and inform them of operational changes that may be of significant impact? (5). (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 with regards to 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	V V V V V 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/remuneration 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. 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 NOTES 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 NOTES 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. Pursuant to FSC Letter No. Jin-uan-Fa-Zi-1040054727 dated May 25, 2015, financial institutions are required to develop consumer dispute resolution systems and implement with the approval of the board of directors. To ensure fair and efficient

Item	Status		
	Yes	No	Summary description
society?			resolution of customers' disputes involving financial trading while at the same time protect financial consumers' interests, the Company has revised its "Notes on Trading Disputes and Customer Grievance" based on FSC's "Financial Consumer Protection Act" and later renamed the policy as "Financial Consumer Dispute Resolution Rules." The Rules outline the Company's duty to abide to the contractual terms agreed with customers, as well as standardized procedures for handling consumer disputes. Consumers can hold the Company liable for violation against the rules. An opinion mailbox has been provided on the Company's website while service hotlines are made available as means of grievance. 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 as many environmental friendly materials and construction methods as possible, and all office equipment to be certified by the Environmental Protection Administration. When making future procurement of office equipment and supplies, the Company will take into account suppliers' commitment to environmental protection, energy conservation, carbon reduction, mitigation of environmental impacts, and fulfillment of corporate social responsibilities. 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 (including freedom of association and collective bargaining) 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. All suppliers are required to issue declarations of commitment to the above. Furthermore, to enforce suppliers' corporate social responsibilities, all procurement contracts are drafted with a clause that reads: "If the supplier is proven to have committed any violation against the terms of the corporate social responsibility policy that results in significant impact against the environment or the community from which the supply is originated, the Company shall be entitled to terminate or cancel the contract at any time." 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). Sponsored "Global Views Monthly" magazine organizing "The 13th Global Chinese Business Leaders Summit." (4). Donated to New Taipei City Government as a relief for victims of "Formosa Fun Coast Explosion Incident." (5). Responded to FSC's charity call by sponsoring the "Food (Goods) Bank" program. (6). Sponsored the "2015 MOF Run - Kaohsiung" organized by Mega Holdings and National Taxation Bureau of Kaohsiung as a means of promoting financial knowledge and an act of charity.
4. Enhanced information disclosure Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System website?	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			

Item	Status		
	Yes	No	Summary description
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 check 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.

Assessment criteria	Actual governance		
	Yes	No	Summary description
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?	 V V V		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.
4. Enhanced information disclosure Has the company disclosed its integrity principles and progress onto its website and Market Observation Post System website ?	 V		The Company's integrity activities are disclosed in annual reports and on the Company's website.
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: None			
6. Other information relevant to understanding the company's business integrity (e.g. revision of business integrity principles): None			

(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, 2015 to December 31, 2015 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, implemented 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 Securities and 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: Feng-Chi Ker

President and CEO: Chi-Fu Lin

General Auditor: Yi-Sheng Wang

Legal Compliance Officer,

Head Office: Cheng-Bi Dai

Date: January 26, 2016

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

Date: December 31, 2015

Required Improvement	Corrective Action	When Improvement Scheduled to be Completed
None		

2. Disclosure of the audit report where a CPA has been entrusted to audit the Company's internal control system: None

(VIII) Penalties imposed against the company in the last 2 years up till the publication date of this annual report; describe the weaknesses found, the improvements made, and provide the following disclosures:

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 trading, 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 2nd meeting of the 14th board held on March 24, 2015:

   Year-end closure and earnings appropriation for 2014, which comprised of dividends totaling NT$2,073,388,354 (NT$1.581 per share) and employees' bonuses amounting to NT$64,321,598; to be paid entirely in cash. This resolution was later acknowledged on behalf of shareholders during the 3rd meeting of the 14th board held on April 24, 2015; the ex-dividend date and bonus payment date was set at April 30, 2015.
2. Resolutions passed on behalf of shareholders during the 3rd meeting of the 14th board held on April 24, 2015:

Removal of restrictions imposed against the Company's directors for involving in competing businesses.

3. Resolutions passed on behalf of shareholders during the 4th meeting of the 14th board held on May 12, 2015:

   To adopt the “Business Integrity Principles” established by the financial holding company.

(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	Chii-Bang Wang	2014.05.28	2015.03.02	Retired upon expiry of service

V. Information about professional fees paid to CPA:

<table>
<tr><th>Name of accounting firm</th><th colspan="2">CPA’s Name</th><th>Audit period</th><th>Remarks</th></tr>
<tr><td rowspan="2">PricewaterhouseCoopers, Certified Public Accountants</td><td>Chien-Hung Chou</td><td>Po-Ju Kuo</td><td>2015/1/1-2015/6/30</td><td rowspan="2">Following a reorganization within PriceWaterhouseCoopers Taiwan, the Company’s Q3 2015 financial statements have been audited by CPA Chien-Hung Chou and CPA Shu-Mei Ji, instead of CPA Chien-Hung Chou and CPA Po-Ju Kuo.</td></tr>
<tr><td>Chien-Hung Chou</td><td>Shu-Mei Ji</td><td>2015/7/1-2015/12/31</td></tr>
</table>

Unit: NT$ thousands

Range \ Fee category		Audit remuneration	Non-Audit Fees	Total
1	Below NT$ 2,000,000	1,276	263	1,539
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="5">Ratified at Board Meeting on September 22, 2015</td></tr>
<tr><td>Cause of Change and Explanation Thereof</td><td colspan="5">Following a reorganization within PriceWaterhouseCoopers Taiwan, the Company’s Q3 2015 financial statements have been audited by CPA Chien-Hung Chou and CPA Shu-Mei Ji, instead of CPA Chien-Hung Chou and CPA Po-Ju Kuo.</td></tr>
<tr><td rowspan="3">Was the termination of audit services initiated by the client or by the auditor</td><td colspan="2">Principals
Situation</td><td colspan="2">Auditor</td><td>Principal</td></tr>
<tr><td colspan="2">Service terminated by</td><td colspan="2">Chien-Hung Chou,
Po-Ju Kuo</td><td></td></tr>
<tr><td colspan="2">Service no longer accepted (continued) by</td><td colspan="2"></td><td></td></tr>
<tr><td>Reasons for issuing opinions other than unqualified opinions in the recent 2 years</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Disagreements with the Company</td><td rowspan="5">Yes</td><td colspan="2"></td><td colspan="2">Accounting policy or practice</td></tr>
<tr><td colspan="2"></td><td colspan="2">Financial statement disclosure</td></tr>
<tr><td colspan="2"></td><td colspan="2">Audit coverage or procedures</td></tr>
<tr><td colspan="2"></td><td colspan="2">Others</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="4">✓</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other disclosures (Disclosures deemed necessary under Section 10.6.1.4 of The Guidelines)</td><td colspan="5">None</td></tr>
</table>

(II) About new CPA:

Firm Name	PricewaterhouseCoopers, Certified Public Accountants
Name of auditor	Chien-Hung Chou, Shu-Mei Ji
Date of Appointment	Ratified at Board Meeting on September 22, 2015
Inquiries and replies relating to the accounting practices or accounting principles of certain trading, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	None

Written disagreements from the succeeding auditor against opinions of the former auditor	None

(III) Former CPA's response to the application of Section 10.6.1 and 10.6.2.3 of the Guidelines: None.

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, 2015; 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	3.266	—	—	60,000,000	3.266
Taiwan Financial Asset Services Co., Ltd.	5,000,000	2.941	—	—	5,000,000	2.941
Taiwan Depository and Clearing Co., Ltd.	2,159,818	0.628	—	—	2,159,818	0.628
Taiwan Asset Management Co., Ltd.	7,500,000	0.568	—	—	7,500,000	0.568
Taiwan Futures Exchange Co., Ltd.	1,522,572	0.512	—	—	1,522,572	0.512
Agora Garden Co., Ltd.	21,090	0.030	—	—	21,090	0.030

Review of Raised Funds

One. Information on share capital and dividends:

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
2016.3	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, 2016

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, 2016

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

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

V. Market value, net value, earnings, and stock dividends, and other related data for the last two years

<table>
<tr><td colspan="3">Year
Item</td><td>2015</td><td>2014</td><td>Year-to-date March 31, 2016</td></tr>
<tr><td rowspan="3">Market value per share</td><td colspan="2">Maximum</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Minimum</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Average</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Net value per share</td><td colspan="2">Before allocation</td><td>26.27</td><td>25.27</td><td>27.54</td></tr>
<tr><td colspan="2">After allocation</td><td>(Note)</td><td>23.69</td><td>-</td></tr>
<tr><td rowspan="2">EPS</td><td colspan="2">Weighted average outstanding shares</td><td>1,311,441,084</td><td>1,311,441,084</td><td>1,311,441,084</td></tr>
<tr><td colspan="2">EPS</td><td>2.30</td><td>2.29</td><td>0.61</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>1.584(Note)</td><td>1.581</td><td>-</td></tr>
<tr><td rowspan="2">Stock dividend</td><td>From earnings</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>From capital surplus</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Cumulative unpaid dividends</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Analysis of ROI</td><td colspan="2">P/E ratio</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Price to dividends ratio</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Cash dividend yield</td><td>-</td><td>-</td><td>-</td></tr>
</table>

Note: As of the publication date of this annual report, the 2015 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 totalingNT$2,077,322,677 or NT$1.584 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: None.

VIII. Employees'/Directors'/Supervisors' remuneration

(I) Percentage and range of employees'/directors'/supervisors' remuneration stated in the Articles of Incorporation

1. Employees' remuneration

Profits concluded at the end of each financial year be subject to employee remuneration of 1.75% ~ 3%; however, profits shall first be taken to offset against cumulative losses if any.

The above employee remuneration shall be approved in a board meeting with at least two-thirds of directors present, and with the consent of more than half of attending directors. Payment can be made upon approval and reported during a shareholder meeting afterwards.

2. Directors and supervisors' remuneration: None.

(II) Basis of calculation for employees'/directors'/supervisors' remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid

1. Basis of calculation for employees'/directors'/supervisors' remuneration and share-based compensations

   The Company had estimated its 2015 employee remuneration at NT$88,821,591. This estimate was made based on the amount of current pre-tax profit before employee remuneration and the percentage stipulated in the Articles of Incorporation. The Company did not recognize directors'/supervisors' remuneration or propose to pay employee remuneration in shares for 2015.

2. Accounting treatments for any discrepancy between the amount of employee remuneration estimated and the amount paid

   Any differences between the amount resolved by board of directors and the amount actually paid will be treated as a change of accounting estimate.

(III) Remuneration passed by the board of directors

1. Cash or share payment of employees'/directors'/supervisors' remuneration

   Pursuant to the Articles of Incorporation and resolution of the 16th meeting of the 14th board of directors held on March 22, 2016, the 2015 employee remuneration totaling NT$62,175,114 be distributed in cash. The Company did not propose any share payment for employees'/directors'/supervisors' remuneration. The NT$62,175,114 cash payment of 2015 employee remuneration resolved by the board of directors was different from the NT$88,821,591 previously recognized in the 2015 financial statements, by a discrepancy of NT$26,646,477. This discrepancy was attributable to a change of employee remuneration percentage, and has been adjusted into 2016 profit and loss.

2. Percentage of employees' remuneration paid in shares, relative to after-tax profit and total employees' remuneration of the current period: None.

(IV) Employees'/directors'/supervisors' remuneration paid in the previous year

1. Actual payment of employee remuneration

   Pursuant to the Articles of Incorporation and resolution of the 3rd meeting of the 14th board of directors held on April 24, 2015, the board had exercised shareholders' authority and approved a cash payment for 2014 employee bonus at NT$64,321,598. Actual cash payment of the 2014 employee bonus totaled NT$64,321,598, which was different from the NT$93,226,604 recognized in the 2014 financial statements, by a discrepancy of NT$28,905,006. This discrepancy was attributable to a change of employee bonus percentage, and has been adjusted into 2015 profit and loss.

2. Actual payment of directors'/supervisors' remuneration: None.

IX. Repurchase of the Company's shares: None.

Two. Corporate Bonds, Preferred Stock, Employee Stock Option, Merger & Acquisition or Assignment to Other Financial Institutions: None.

Three. Execution of Funding Utilization Plan: None.

Overview of Business Operation

One. Business Scope

I. Main business

(I) Major business activities by segment

1. Bills Business
   (1) Acting as a certifier, underwriter ,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	2015		2014	
	Amount	As a proportion of total assets (%)	Amount	As a proportion of total assets (%)
Bills Business	109,132,348	48.92	112,865,821	52.18
Bonds Business	107,575,093	48.22	95,811,716	44.29
Equity investment business	993,890	0.45	2,338,013	1.08
Others	5,396,394	2.41	5,294,498	2.45
Total assets	223,097,725	100.00	216,310,048	100.00

2. Revenues Unit: NT$ thousands

Item \ Year	2015		2014	
	Amount	As a proportion of total revenue (%)	Amount	As a proportion of total revenue (%)
Bills Business	2,676,826	51.99	2,493,492	54.15
Bonds Business	1,751,888	34.03	1,619,371	35.16
Equity investment business	444,193	8.63	332,687	7.22
Others	275,901	5.35	159,701	3.47
Total Revenue	5,148,808	100.00	4,605,251	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 outright purchase/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 to lower cost of capital.
5. Maintain long-term relationships with financial institutions for more diverse funding sources; 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 the collection of overdue balances, and dispose of collaterals when appropriate.

(II) Bonds Business

1. In order to diversify service types and to increase income from bonds business; the Company aggressively promote business by investing in foreign bonds with a flexible pace, diversifying country risks while paying close attention to the U.S. monetary policy and U.S. bonds yields. The objective is to maintain high interest spread of positions held on hand to mitigate the excessively low yield of domestic bonds.
2. Develop a bonds holding position by choosing targets that offer suitable duration and higher yields 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. Buy convertible bonds with excellent credit ratings and fixed income portion of convertible bonds asset swaps (CBAS) for additional income source.
5. Operate outright purchase/sale cautiously to enhance operating efficiency.

(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 operation

Apart from the Taipei head office, the Company has 8 branches nationwide to conduct credit, bills and bonds-related services.

2. Future market supply, demand and growth

(1) Market changes

1) On July 20, 2015, Taipei Exchange (TPEx) amended its “Rules Governing the Proprietary Trading of Foreign Bonds by Securities Firms” to allow securities firms trading (including outright purchases/sales and repurchase agreements) non-structured, registered foreign bonds rated BB and above with sophisticated investors, in addition to qualified institutional investors.

2) Following TPEx’s interpretations No.Securities - GTSM - Bonds - 10400318062 and Securities - GTSM - Bonds - 10400305342 dated November 16, 2015, general investors are now permitted to invest in NTD-denominated corporate bonds and bank debentures repurchase agreement listed on the Professional board, and bonds repurchase agreement listed on the Foreign board. Meanwhile, supporting financial institutions such as credit cooperative associations and Chunghwa Post have been recognized as qualified institutional investors.

3) On July 16, 2015, the FSC made an amendment to “Regulations Governing Foreign Currency Bonds Brokerage, Proprietary Trading, and Investment by Bills Finance Companies” that gave Bills Finance Companies more rooms to operate. Before the amendment, holdings of foreign currency assets other than short-term bills were capped at 30% of net worth; after the amendment, holdings of foreign currency securities and holdings of other foreign currency assets were separately capped at 30% of net worth. The foreign currency securities mentioned above refer to the balance of foreign currency bills and bonds plus resale agreements and less repurchase agreements; other foreign currency assets mentioned above refer to foreign currency deposits and deposit derivatives.

(2) Market conditions

1) Bills market

The central bank has resolved to interest rate cuts as a means to mitigate the slowdown of the domestic economy. In addition to two downgrades in policy interest rate, on August 11, 2015, the central bank also made its first cut of overnight rate in three years from 0.388% to 0.386%. Since then, the overnight rate was lowered another six times to 0.320% by December 18, 2015. On September 25 and December 18, 2015, the central bank made two cuts on 28-day, 91-day and 182-day NCD rates, lowering to 0.73%, 0.79% and 0.91%, respectively. The central bank has made a clear intent to maintain abundant money supply; therefore, the monetary market interest rate is unlikely to rise over the short term. The value of CP2 underwritten by all Bills Finance Companies in the primary market amounted to NT$6,758.4 billion in 2015, up NT$126.9 billion (or 1.91%) from that in 2014, in which the Company represented a market share of 30.33%. The value of trading completed by all Bills Finance Companies in the secondary market amounted to NT$23,455 billion in 2015, down NT$561.1 billion (or -2.34%) from 2014, in which the Company represented a market share of 34.86%. With market share exceeding 30% in both primary and secondary markets, the Company has secured its position as the top performer in the Bills Finance industry.

2) Bonds market

In 2015, yields of 5-year government bonds fluctuated between 0.59% and 1.34%, whereas yields of 10-year government bonds fluctuated between 0.99% and 1.654%. Yields high and low were somewhere between 60~80bp. This increased volatility was caused by several factors including the consecutive decline in export performance, the decline in GDP growth estimated to be less than 1%, the two interest rate cuts by the central bank in the second half, and the abundant supply of capital that caused market interest rates to fall. Given the lack of recovery in Europe and Japan while Mainland China and other emerging economies growth continue to slow down, the future of the global bonds market will still be largely influenced by the FED's interest rate policy. In 2015, bonds trading amounted to NT$67,725.7 billion in the domestic market, of which NT$17,877.8 billion or 26.4% were traded by Bills Finance Companies. With a market share of 31.18%, the Company still secured its position as the top performer in the Bills Finance industry.

3) Equity investment business

As to the domestic stock market, TAIEX has finally returned to long-awaited 10,000 points (10,014 at the highest point) on April 28, 2015, but saw the index dropped quickly to 7,203 points when stock markets tumbled around the world, causing foreign investors to sell their positions for cash. It was not until when the stabilization funds stepped in that TAIEX started to rebound. Following the FED’s interest rate hike in the end of 2015, the global stock market is likely to lose its upward momentum due to tightened liquidity. In 2016, Mainland China’s financial market is expected to have a greater impact to the world, causing greater volatility to Taiwan’s stock market and making it more difficult to profit.

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

1. Opportunities

(1) The authority has given domestic banking units (DBU) the permission to issue foreign currency NCDs. It should help broaden the Company's business and diversify profit sources.

(2) As market investors expect further USD rate hikes in 2016, it is likely for the U.S. Dollar to strengthen against most currencies in the world. This may give rise to the need of primary market customers to borrow NTD and repay USD debts; this increased demand for NTD capital will favor the pricing of bills issued in the primary market.

(3) The authority has loosen its statutory restrictions as to the range and limit of foreign bonds business for Bills Finance Companies. This provides the Company with more trading room, broader profit sources, and would facilitate a larger holding position.

(4) The authority has given securities firms the permission to engage in trading registered foreign bonds with sophisticated investors, allowing the Company to expand its foreign bonds trading customers base.

(5) The authority has permitted general investors to invest in NTD-denominated corporate bonds and bank debentures repurchase agreement listed on the Professional board, and bonds repurchase agreement listed on the Foreign

board. It provides the Company with broader capital sources access and helps expand its bonds business.

2. Threats

(1) The stagnant domestic economy gives rise to credit risks. Credit business clients have suffered from undesirable market conditions, both in terms of business performance and financial condition.

(2) 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 and non-guarantee CP clients, it will likely impact the development of the bills issuance market..

(3) If U.S. dollar continues to strengthen, foreign investors may cash in their gains and pull funds out of the country, while local banks and investors are also likely to convert NTD assets into USD, and tighten the supply of NTD capital.

(4) There remain uncertainties in the global economic outlook of 2016, 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) Monitor credit business clients' business performance and financial condition; gain insight into clients' industry outlook and funding capability for more robust credit decisions.

(2) Monitor credit risks and adjust credit business clients' structure to increase more revenue-contributing clients. Aim to increase interest spread by adopting a flexible pricing strategy.

(3) 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.

(4) Expand source of capital in the secondary market by exploring customers that are characterized by stable and low funding costs, thereby increasing profit margins.

(5) Invest in companies characterized by prospective industry, growing revenues and profits. Choose sectors that present future potential and observe to

determine the right timing of entry.

III. 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: None.

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

1. R&D expenses

Unit: NT$ thousands

Business activities	R&D expenses	
	2015	2014
Costs of employee participation in various research and training programs	838	555

2. R&D results

(1) 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 Mainland 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.

(2) 2015

1) Completed a paperless meeting system and a paperless report management system.
2) Replaced network equipment and redundant PCs.

3) Acquired PC terminal protection systems.

4) Studied ways of improving settlement efficiency for settlement of foreign bonds denominated in RMB currency.

5) Continued foreign currency NCD business.

6) Researched on the Equator Principles and the compliance approach suitable to the Company.

7) Monitored BIS ratio and maintained adequacy above the required level.

8) Completed operational risk self-assessment and enhanced control over risks that are prevalent in day-to-day business activities.

9) 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 engage in CP2 credit business 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) For incremental government bonds issuance, the Company will strive to gain the authority's approval to exempt income taxes on interests accruing between the date of issue and the date of tender.

4) Strive to increase securities firms’ holding limits on foreign securities issued by a single company.

5) Strive to gain the authority’s approval to have Bills Finance Companies establish accounting-independent business units, similar to “Offshore Securities Units” (OSU) in the case of a securities firm, for offshore securities business.

6) Strive to increase Bills Finance Companies’ holding limits on foreign currency-denominated securities.

IV. Long-term and short-term business plans

(I) Short-term

1. Weak economic performance has given rise to additional credit risks. To enhance risk management, the Company will continue to monitor clients’ business and finance ability, their industry outlook and funding capacity for better decision-making on their credit limit.

2. Observe financial market trends and strive to maintain a leadership position by expanding bills issuance scale and interest spread and controlling the volumes of issuance and trading.
3. Actively invite other banks to co-host syndicated loan projects, as well as work on organizing underwriting non-guarantee commercial papers projects to generate service revenues for bills business.
4. Actively participate in the bidding of treasury bills; build up position and increase spread by engaging in underwriting NCDs, bank-guaranteed bills and non-guarantee commercial papers business to stabilize bills sources and generate service revenues for bills business.
5. Expand interest spread by adjusting primary/secondary market interest rates and bills position according to central bank's expansionary monetary policy.
6. Monitor market demands and the trading interest spread of foreign currency NCDs to expand market opportunities for greater profitability..
7. Continue to observe changes in domestic and overseas financial markets; pay attention to the monetary policy of the Central Bank and the changes in domestic economy; adjust bonds positions on a timely basis and carefully engage in the outright purchase/sale of bonds position to enhance operating efficiency.
8. Explore opportunities in foreign bonds; monitor yield curve movements and expand position when appropriate to maintain interest spread, also diversify country risks.
9. Develop foreign currency secondary market clients' base as the Company expands its trading volume in foreign currency bonds; build up corporate clients' base for stable and low-cost supply of funding, thus lowering interest expenses and generating more income.
10. Aim to diversify foreign currency funding risks through interbank borrowing/lending, FX swap and repurchase agreements.
11. Conduct in-depth analysis on fundamental and technical aspects of stock investments targets; capture market trends to generate more investment profits.
12. Buy convertible bonds with excellent credit ratings and fixed income portion of convertible bonds asset swaps (CBAS) for additional income source.
13. Devote greater efforts in claiming debts with recourse and dispose of collaterals to increase recoverable overdue credit amounts.

14. 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.
15. Promote paper-less meeting system and 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.

(II) Long-term

1. Strengthen the position as market leader of bills and bonds business.
2. Continue to build and adjust proper bonds position, expand the business scale of Repurchase Agreements (RP), and operate derivatives products to maintain stable profitability.
3. Enhance operation efficiency by reducing costs of funding and widening interest spread.
4. Continue to engage in talents development.
5. Make efficient allocation of capital; strengthen existing risk management and systems.
6. Integrate the parent holding company’s resources to utilize the synergy of cross-selling.
7. Share information within the holding company via system integration.
8. Aggressively develop new business types to expand existing business scale.
9. Establish business presence in Mainland China in line with future deregulations.

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

Year		2014	2015	Up till March 31, 2016
Number of employees	Staff	182	187	187
	Total	182	187	187
Average age		47.09	47.39	47.64
Average length of service		17.80	18.07	18.32
Educational background distribution	PhD	2	2	2
	Master	76	82	82
	Bachelor	98	97	97
	Senior high school	6	6	6
	Below senior high school	0	0	0
Professional certifications and licenses owned by the employees	Bills Finance Specialist	172	179	182
	Securities Investment Analyst	7	7	7
	Senior Securities Specialist	132	140	142
	Securities Specialist	72	72	72
	Securities Investment Trust and Consulting Professional	81	88	88
	Trust Operations Personnel	108	114	114
	Futures Specialist	76	78	78
	Life Insurance Specialist	129	128	128
	Property Insurance Specialist	122	122	122
	Bank Internal Control Specialist	98	102	102
	Financial Planning Personnel	71	72	72
	Basic Foreign Exchange Personnel	6	9	9
	Basic Bank Lending Personnel	34	38	38
	Advanced Bank Lending Personnel	6	6	6

Three. Corporate Responsibility and Ethical Conduct

Please refer to page 38 and 42 of the Corporate Governance Report, titled "Fulfillment of Social Responsibilities" and "Fulfillment of Ethical Corporate Management".

Four. Number of non-managerial staff, amount of average employee welfare expenses, and differences from the previous year

Unit: NT$ thousands

Year	Number of non-managerial staff	Welfare expense (average)
2014	128	2,216
2015	129	2,159

Five. 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 IBM RS/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) Replaced dot-matrix printers.

(III) Replace redundant PCs.

(IV) Enhanced information security management system.

Six. Labor Relations

I. Employee welfare measures:

Welfare committee, employee remuneration, 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 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: None.

Seven. Major contracts: None.

Financial Statement

PWCR15000394

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. as of December 31, 2015 and 2014 and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended. 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies" , "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

March 22, 2016

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, 2015	(Adjusted) December 31, 2014	(Adjusted) January 1, 2014
Cash and cash equivalents	6(1) and 7	$ 321,356	$ 444,266	$ 544,617
Financial assets at fair value through profit or loss	6(2)(6), 7 and 8	115,285,106	117,026,616	133,085,711
Available-for-sale financial assets	6(3)(6), 7 and 8	100,816,225	83,333,880	80,127,802
Bills and bonds investment with resale agreements	6(4)	1,000,000	9,805,054	1,966,157
Receivables - net	6(5)	1,185,047	1,004,365	1,072,383
Held-to-maturity financial assets	6(8)	600,000	850,000	500,000
Other financial assets – net	6(9) and 8	818,540	802,252	1,303,700
Property and equipment - net	6(10)	375,457	370,378	362,205
Investment property - net	6(11)	2,539,088	2,549,752	2,560,415
Intangible assets - net		2,427	2,886	3,303
Deferred income tax assets - net	6(29)	106,254	96,021	90,405
Other assets - net	6(12) and 7	48,225	25,511	27,647
TOTAL ASSETS		$ 223,097,725	$ 216,310,981	$ 221,644,345
LIABILITIES AND EQUITY				
Interbank overdraft and call loans	6(13), 7 and 8	$ 11,294,776	$ 15,926,613	$ 21,259,000
Financial liabilities at fair value through profit or loss	6(7)(14)	6,149	411	1,352
Bills and bonds payable under repurchase agreements	6(2)(3)(4) and 7	173,109,248	163,777,891	163,869,633
Payables	6(15)	504,042	502,801	809,067
Current income tax liabilities	6(29)	131,256	74,713	124,310
Provisions for liabilities	6(16)(17) and 7	2,757,420	2,780,456	3,290,396
Deferred income tax liabilities	6(29)	12,647	790	62
Other liabilities	7	828,935	116,541	179,726
TOTAL LIABILITIES		188,644,473	183,180,216	189,533,546
Capital stock				
Common stocks	6(18)	13,114,411	13,114,411	13,114,411
Capital surplus	6(19)	320,929	320,929	320,929
Retained earnings	6(20)			
Legal reserve		16,319,161	15,429,923	14,678,366
Special reserve		203,090	203,090	203,090
Unappropriated retained earnings		2,968,669	2,959,575	2,498,476
Other equity interest				
Unrealised valuation gain or loss of available-for-sale financial assets		1,526,992	1,102,837	1,295,527
TOTAL EQUITY		34,453,252	33,130,765	32,110,799
Commitments and contingent liabilities	9			
TOTAL LIABILITIES AND EQUITY		$ 223,097,725	$ 216,310,981	$ 221,644,345

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 2015	(Adjusted) 2014
Interest income	6(21)	$ 2,930,965	$ 2,791,448
Less：interest expense	6(21) and 7	(901,456)	(980,992)
Interest income, net		2,029,509	1,810,456
Non-interest income, net			
Service fee and commission income, net	6(22) and 7	967,377	887,884
Gain or loss from financial assets and liabilities at fair value through profit or loss	6(2)(14)(23) and 7	598,034	430,052
Realized gain or loss on available-for-sale financial assets	6(24)	432,215	289,241
Foreign exchange gain or loss, net		3,203	4,283
Other non-interest income or loss, net			
Leasehold income	7	112,699	110,043
Others		20,877	14,746
Net revenues		4,163,914	3,546,705
Reversals (provisions)	6(25)	134,508	660,965
Operating expenses			
Employee benefit expense	6(17)(26)	(562,029)	(552,591)
Depreciation and amortization	6(27)	(23,592)	(21,949)
Other business and administrative expenses	6(28) and 7	(206,991)	(203,217)
Total operating expenses		(792,612)	(777,757)
Income before income tax from operating unit		3,505,810	3,429,913
Income tax expense	6(29)	(495,374)	(426,907)
Net income		3,010,436	3,003,006
Other comprehensive income			
Not reclassifiable to profit or loss:			
Remeasurement of defined benefit plans	6(17)	(46,645)	(46,102)
Income tax relating to items that are not reclassifiable to profit or loss	6(29)	7,929	7,837
Potentially reclassifiable to profit or loss subsequently:			
Unrealized loss on valuation of available-for-sale financials assets		424,155	(192,690)
Total other comprehensive income (after income tax)		385,439	(230,955)
Total comprehensive income		$ 3,395,875	$ 2,772,051
Earnings per share			
Basic and diluted earnings per share	6(30)	$ 2.30	$ 2.29

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, 2014(Adjusted)							
Balance as of January 1, 2014	$ 13,114,411	$ 320,929	$ 14,678,366	$ 203,090	$ 2,498,476	$ 1,295,527	$ 32,110,799
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	-	-	-	-	3,003,006	-	3,003,006
Total other comprehensive loss for 2014	-	-	-	-	(38,265)	(192,690)	(230,955)
Total comprehensive (loss) income for 2014	-	-	-	-	2,964,741	(192,690)	2,772,051
Balance as of December 31, 2014	$ 13,114,411	$ 320,929	$ 15,429,923	$ 203,090	$ 2,959,575	$ 1,102,837	$ 33,130,765
For the year ended December 31, 2015							
Balance as of January 1, 2015	$ 13,114,411	$ 320,929	$ 15,429,923	$ 203,090	$ 2,959,575	$ 1,102,837	$ 33,130,765
Appropriation of 2014 earnings (Note)							
Legal reserve	-	-	889,238	-	(889,238)	-	-
Cash dividends	-	-	-	-	(2,073,388)	-	(2,073,388)
Total comprehensive income							
Net income for 2015	-	-	-	-	3,010,436	-	3,010,436
Total other comprehensive (loss) income for 2015	-	-	-	-	(38,716)	424,155	385,439
Total comprehensive income for 2015	-	-	-	-	2,971,720	424,155	3,395,875
Balance as of December 31, 2015	$ 13,114,411	$ 320,929	$ 16,319,161	$ 203,090	$ 2,968,669	$ 1,526,992	$ 34,453,252

Note: Employee bonuses amounting to $64,322 and $59,974 thousand for 2014 and 2013 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 2015	(Adjusted) 2014
Cash Flows from Operating Activities			
Income before income tax		3,505,810	$ 3,429,913
Adjustments to reconcile income before tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation	6(27)	19,550	18,705
Amortization	6(27)	4,042	3,244
Reversal for bad debts and various reserves	6(16)	(64,115)	(526,633)
Interest income	6(21)	(2,930,965)	(2,791,448)
Dividend income		(75,992)	(114,917)
Interest expense	6(21)	901,456	980,992
Gains on disposal of property and equipment		(590)	(137)
Changes in assets/liabilities relating to operating assets:			
Decrease in financial assets at fair value through profit or loss		1,741,510	16,059,095
Decrease (increase) in bills and bonds investment with resale agreements		8,805,054	(7,838,897)
(Increase) decrease in receivables		(3,928)	71,958
Increase in available-for-sale financial assets		(17,058,190)	(3,398,768)
Decrease (increase) in held-to-maturity financial assets		250,000	(350,000)
(Increase) decrease in other financial assets		(40,040)	421,147
(Increase) decrease in other assets		(20,018)	1,187
Increase (decrease) in financial liabilities at fair value through profit or loss		5,738	(941)
Increase (decrease) in bills and bonds payable under repurchase agreements		9,331,357	(91,742)
Increase (decrease) in payables		11,460	(302,070)
Increase (decrease) in provisions for liabilities		18,186	(8,468)
Increase (decrease) in other liabilities		712,394	(63,185)
Interest paid		(911,675)	(985,188)
Interest received		2,754,211	2,846,868
Dividend received		75,992	114,917
Income tax paid		(429,278)	(473,555)
Net cash provided by operating activities		6,601,969	7,002,077
Cash Flows from Investing Activities			
Acquisition of property and equipment	6(10)	(15,075)	(16,287)
Proceeds from disposal of property and equipment		590	209
Increase in intangible assets		(721)	(933)
Increase in other assets		(4,448)	(945)
Net cash used in investing activities		(19,654)	(17,956)
Cash Flows from Financing Activities			
Decrease in interbank overdraft and call loans		(4,631,837)	(5,332,387)
Payments of cash dividends		(2,073,388)	(1,752,085)
Net cash used in financing activities		(6,705,225)	(7,084,472)
Net decrease in cash and cash equivalents		(122,910)	(100,351)
Cash and cash equivalents, beginning of year	6(1)	444,266	544,617
Cash and cash equivalents, end of year	6(1)	321,356	$ 444,266

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

MEGA BILLS FINANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 bank debentures; (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).

(4) The number of employees of the Company was 229 and 223 as of December 31, 2015 and 2014, respectively.

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 22, 2016.

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")

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 impact of adopting the 2013 version of IFRS is listed below:

A. IAS 19 (revised), 'Employee benefits'

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognised based on corridor approach or recognised in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognized immediately in other comprehensive income when incurred. Past service cost will be recognized immediately in the period incurred and will no longer be amortised using straight-line basis over the average period until the benefits become vested. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs, rather than when the entity is demonstrably committed to a termination. Additional disclosures are required for defined benefit plans.

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 by $4,554 thousand.

The Company decreased employee benefit expense by $2,601 thousand and increased income tax expense by $442 thousand for 2014. The aforementioned related retroactive adjustments did not affect the earnings per share for the year ended December 31, 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.

The adoption of the amendment requires the Company to include qualitative and quantitative disclosures for all transferred financial assets.

E. Disclosures – Offsetting financial assets and liabilities (amendment to IFRS 7)

The amendment requires an entity to disclose information on the report date to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. These disclosures are also applicable to financial instruments that are subject to an enforceable master netting arrangements or similar agreements (irrespective of whether they are set off in accordance with IAS 32's offsetting requirements).

The amendment will increase the Company's quantitative and qualitative disclosures on enforceable master netting arrangements or similar agreements required of recognized financial instruments.

(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

None.

(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)	To be determined by InternationalAccounting Standards Board
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, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

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 recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "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 time deposits or investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits refer to those with short-term maturity used to satisfy short-term cash commitments that are not held for investment purposes or other purposes.

(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) Held-to-maturity financial assets

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) Financial assets measured at cost

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) <u>Property and equipment</u>

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) <u>Leases</u>

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 recognised 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. 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. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognised immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration 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. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(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 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. 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, 2015	December 31, 2014
Checking deposits	$ 243,093	$ 212,310
Demand deposits	65,573	41,256
Time deposits	11,990	190,000
Petty cash	700	700
Total	$ 321,356	$ 444,266

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

B. Time deposits mature within three months. The CNY time deposit rate at December 31, 2015 was 3.20%; the NTD time deposit rate at December 31, 2014 was 0.75%.

C. As of December 31, 2015 and 2014, demand deposits in USD amounted to US $208 thousand and US $16 thousand, respectively, and the exchange rate of USD to NTD was 1 : 32.888 and 1 : 31.663 , respectively. (Exchange rates of USD to NTD shown below are all the same).

D. As of December 31, 2015 and 2014, CNY denominated demand deposits amounted to CNY $1 thousand and CNY $106 thousand, respectively; as of December 31, 2015 and 2014, CNY denominated time deposits amounted to CNY $2,400 thousand and CNY $0 thousand, respectively, and the exchange rate of CNY to NTD was 1：4.9959 and 1：5.0971, 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, 2015	December 31, 2014
Financial assets held for trading		
Commercial paper	$ 88,634,403	$ 90,639,837
Fixed rate commercial paper purchased	45,070	9,945
Bankers’ acceptance	665,637	1,065,879
Negotiable certificates of time deposit	19,787,238	21,150,160
Convertible corporate bonds	368,177	348,820
Stocks	-	14,100
Subtotal	109,500,525	113,228,741
Financial assets designated as at fair value through profit or loss on initial recognition		
Convertible corporate bond asset swaps	5,784,581	3,797,875
Subtotal	5,784,581	3,797,875
Total	$ 115,285,106	$ 117,026,616

A. The Company recognized net gain of $582,465 thousand and $416,230 thousand on financial assets held for trading for the years ended December 31, 2015 and 2014, respectively, and recognized net gain (loss) of $24,406 thousand and $14,984 thousand on financial assets designated as at fair value through profit or loss on initial recognition for the years ended December 31, 2015 and 2014, respectively.

B. As of December 31, 2015 and 2014, the transaction cost of bills with repurchase agreement of above financial assets held for trading were $85,868,075 thousand and $83,137,808 thousand, respectively.

C. As of December 31, 2015 and 2014, 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, 2015	December 31, 2014
Government bonds	$ 53,575,077	$ 43,514,403
Foreign currency government bonds	163,348	-
Financial bonds	9,040,668	9,894,528
Foreign currency Financial bonds	6,322,735	1,760,606
Corporate bonds	27,132,595	24,969,505
Foreign currency corporate bonds	3,074,591	-
Beneficiary or asset-backed securities	513,321	870,925
Stocks	992,445	2,323,913
Funds	1,445	-
Total	$ 100,816,225	$ 83,333,880

A. As of December 31, 2015 and 2014, the transaction cost of bonds and beneficiary or asset-backed securities with repurchase agreement of above available-for-sale bonds were $82,083,925 thousand and $65,114,080 thousand, respectively.

B. The government bonds and corporate bonds were provided as collaterals for bank overdrafts as of December 31, 2015 and 2014. Please refer to Notes 7 and 8 for details.

C. As of December 31, 2015 and 2014, 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 $818,983 thousand and $878,653 thousand, respectively.

D. As of December 31, 2015, the fair values of government bonds denominated in USD was US $4,967 thousand; As of December 31, 2015 and 2014, the fair values of financial bonds denominated in USD was US $192,251 thousand and US $52,385 thousand, respectively; as of December 31, 2015, the fair values of corporate bonds denominated in USD was US $93,487 thousand.

E. As of December 31, 2015 and 2014, the fair values of financial bonds denominated in CNY have amounted to CNY $0 thousand and CNY $20,000 thousand, respectively.

F. In consideration of increasing interest revenue, the Company holds two securitized SPT beneficial securities, which were issued in 2011 and 2014 by the Land Bank of Taiwan on behalf of Chailease Finance Co., Ltd.'s commission. The legal maturity dates of the asset-backed security investments were November 24, 2018 and July 24, 2021, respectively. However, investments are subject to an early termination according to the underlying's status of principal repayments.

As of December 31, 2015 and 2014, the maximum credit risk of the Company's investments in the above-mentioned structured entities was $513,321 thousand and $870,925 thousand, respectively. In addition, for the years ended December 31, 2015 and 2014, interest revenue from investing in the structured entities was $12,341 thousand and $12,857 thousand, respectively.

(4) Bills and bonds under repurchase or resale agreements

	December 31, 2015	December 31, 2014
Bills and bonds investment with resale agreements	$ 1,000,000	$ 9,805,054
Bills and bonds payable under repurchase agreements	$ 173,109,248	$ 163,777,891

A. As of December 31, 2015 and 2014, the interest rate of bills and bonds investment with resale agreements were 0.42% and 0.55%~0.59%, respectively. The fair value of collaterals (bonds) obtained by transaction amounted to $1,016,402 thousand and $10,028,131 thousand.

B. As of December 31, 2015 and 2014, the interest rate of bills and bonds payable under repurchase agreements were 0.26%~0.60% and 0.26%~0.81%, respectively.

C. As of December 31, 2015 and 2014, please refer to Note 7 for the balances of repo trades with related parties.

D. As of December 31, 2015 and 2014, recognized amount of USD denominated bills and bonds payable under repurchase agreements were US$288,651 thousand and US$44,729 thousand, respectively.

E. As of December 31, 2015 and 2014, recognized amount of CNY denominated bills and bonds payable under repurchase agreements CNY $0 thousand and CNY $17,878 thousand, respectively.

(5) Receivables – net

	December 31, 2015	December 31, 2014
Interest receivable	$ 1,176,077	$ 999,323
Trade receivables on bond investment and stocks	8,970	5,000
Other receivables – others	-	42
Subtotal	1,185,047	1,004,365
Less: Allowance for doubtful accounts	-	-
Receivables, net	$ 1,185,047	$ 1,004,365

(6) Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety

In the Company's ordinary course of transactions, transferred financial assets that are not derecognized in their entirety are financial instruments provided as liens for the counterparty through repurchase agreements. Because such transactions reflect a liability where the Company is obligated to repurchase transferred assets with a fixed price in the future, for such transactions, the Company may not use, sell or pledge such transferred financial assets within the effective period of the transactions; however, the Company still bears the interest rate risk and credit risk, thus they are not derecognized in their entirety.

The following table analyzes information on financial assets not derecognized in their entirety and their related liabilities:

December 31, 2015		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at fair value through profit or loss		
Repurchase agreements	$ 85,868,075	$ 85,885,350
Available-for-sale financial assets		
Repurchase agreements	$ 23,259,084	$ 22,948,981

(7) Offsetting financial assets and financial liabilities

When the Company has entered into an enforceable master netting arrangement with a counterparty, and both parties elect to settle by the net amount, the settlement may be based on the net amount after offsetting financial assets and financial liabilities. Related information is listed as follows:

A. Financial assets

The balance as of December 31, 2015 and 2014 were both $0.

B. Financial liabilities

The balance as of December 31, 2015 was $0.

December 31, 2014						
				Not set off in the balance		
Description	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash collateral pledged	Net amount
Derivatives	$ 145	$ -	$ 145	$ -	$ -	$ 145

(8) Held-to-maturity financial assets

	December 31, 2015	December 31, 2014
Corporate bonds	$ 600,000	$ 850,000
Less: Accumulated impairment	-	-
Net	$ 600,000	$ 850,000

(9) Other financial assets – net

	December 31, 2015	December 31, 2014
Certificate of deposit pledged	$ 400,000	$ 400,000
Financial assets carried at cost - net	344,300	344,300
Designated account for allowance to pay back short-term bills	74,240	57,952
Net	$ 818,540	$ 802,252

A. The above certificate of deposit pledged were provided as collaterals for bank overdrafts as of December 31, 2015 and 2014. Please refer to Note 8 for details.

B. 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, 2015		December 31, 2014	
	Amount	% of Shareholding	Amount	% of Shareholding
Unlisted stock investments				
Core Pacific City Co., Ltd.	$ 600,000	3.266	$ 600,000	3.361
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	

As of December 31, 2015 and 2014, the Company had recognized impairment loss for the above listed investees as follows:

	December 31, 2015	December 31, 2014
Core Pacific City Co., Ltd.	$ 397,800	$ 397,800
Agora Garden Co., Ltd.	900	900
	$ 398,700	$ 398,700

(10) Property and equipment – net

	Land	Buildings	Machinery and computer equipment	Miscellaneous equipment	Equipment prepayment	Total
January 1, 2015						
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
Additions-Cost	-	-	2,681	1,274	11,120	15,075
Transfer-Cost	-	-	-	1,935	(3,045)	(1,110)
Disposals-Cost	-	-	(47,597)	(5,316)	-	(52,913)
Disposals-Accumulated depreciation	-	-	47,597	5,316	-	52,913
Depreciation	-	(2 ,721)	(4,700)	(1,465)	-	(8,886)
December 31, 2015	$ 227,347	$ 100,380	$ 24,444	$ 12,166	$ 11,120	$ 375,457
December 31, 2015						
Cost	$ 227,347	$ 166,118	$ 66,858	$ 56,067	$ 11,120	$ 527,510
Accumulated depreciation	-	(65,738)	(42,414)	(43,901)	-	(152,053)
Net Book Value	$ 227,347	$ 100,380	$ 24,444	$ 12,166	$ 11,120	$ 375,457

	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

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

(11) Investment property – net

	Land	Buildings	Total
January 1, 2015			
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
Depreciation	-	(10,664)	(10,664)
December 31, 2015	$ 2,204,894	$ 334,194	$ 2,539,088
December 31, 2015			
Cost	$ 2,204,894	$ 511,868	$ 2,716,762
Accumulated depreciation	-	(177,674)	(177,674)
Net Book Value	$ 2,204,894	$ 334,194	$ 2,539,088

	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

A. No investment property was provided as collateral.

B. Rental income from the lease of the investment property for the years ended December 31, 2015 and 2014 were $110,656 thousand and $108,093 thousand, respectively.

C. The fair value of the investment property held by the Company as at December 31, 2015 and 2014 was $3,886,422 thousand and $3,885,570 thousand, respectively, which were revalued by independent valuers and based on the price with comprehensive reference to comparison approach and direct capitalization under income approach. The capitalization rate used in valuation was 1.77%~ 2.04%. The fair value of investment property held by the Company is classified as Level 2.

(12) Other assets – net

	December 31, 2015	December 31, 2014
Refundable deposits	$ 10,938	$ 11,057
Guarantee deposits held for operation and funds for security settlements	6,039	6,246
Other deferred assets	7,248	4,552
Others	24,000	3,656
Total	$ 48,225	$ 25,511

(13) Interbank overdraft and call loans

	December 31, 2015	Period	Interest Rate (%)
Bank overdrafts	$ 129,000	Nov.27.2015-Nov.27.2016(Note)	1.755
Call loans-NTD	11,100,000	Dec.18.2015-Jan.15.2016	0.40~0.45
Call loans-USD	65,776	Dec.31.2015-Jan.4.2016	0.95
Total	$ 11,294,776		

	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		

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, 2015 and 2014.

C. As of December 31, 2015 and 2014, call loans in USD amounted to US$2,000 thousand and US$1,030 thousand, respectively.

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

	December 31, 2015	December 31, 2014
Fixed rate commercial paper sold	$ 6,149	$ -
Fixed rate commercial paper purchased	-	266
Derivative financial instruments	-	145
Total	$ 6,149	$ 411

The Company recognized net loss of $8,837 thousand and $1,162 thousand on financial liabilities held for trading for the years ended December 31, 2015 and 2014, respectively.

(15) Payables

	December 31, 2015	December 31, 2014
Bonus payable	$ 192,647	$ 189,286
Receipts under custody payable (Note)	110,456	100,511
Dividends and bonus payable	88,822	93,227
Payables of transactions under repurchase agreements on maturity	42,724	36,320
Interest payable	29,527	39,746
Payables of bonds and stocks settlement	-	6,673
Others	39,866	37,038
Total	$ 504,042	$ 502,801

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

(16) Provisions for liabilities

	December 31, 2015	December 31, 2014	January 1, 2014
Reserve for guarantee liabilities	$ 2,324,003	$ 2,411,870	$ 2,959,444
Net defined benefit liability	433,417	368,586	330,952
Total	$ 2,757,420	$ 2,780,456	$ 3,290,396

As of 2015, the Company adopted IAS 19 of the 2013 version of IFRSs as endorsed by the FSC. Liabilities reserve for employee benefits as at December 31, 2014 and January 1, 2014 was retroactively adjusted from $363,099 thousand and $322,864 thousand, respectively, to $368,586 thousand and $330,952 thousand, respectively.

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, 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
January 1, 2015	$ -	$ 2,411,870	$ 2,411,870
Reversal	-	(64,115)	(64,115)
Write-off	(23,752)	-	(23,752)
Transfer	23,752	(23,752)	-
December 31, 2015	$ -	$ 2,324,003	$ 2,324,003

(17) Pensions

a. A. (A)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. 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, 2015	December 31, 2014
Present value of defined benefit obligations	$ 720,004	$ 645,916
Fair value of plan assets	(286,587)	(277,330)
Net defined benefit liability	$ 433,417	$ 368,586

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 645,916	($ 277,330)	$ 368,586
Current service cost	21,816	-	21,816
Interest expense (income)	10,919	(4,741)	6,178
	678,651	(282,071)	396,580
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,708)	(2,708)
Change in financial assumptions	41,315	-	41,315
Experience adjustments	8,038	-	8,038
	49,353	(2,708)	46,645
Pension fund contribution	-	(9,808)	(9,808)
Paid pension	(8,000)	8,000	-
Balance at December 31	$ 720,004	($ 286,587)	$ 433,417

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	$ 612,731	($ 281,779)	$ 330,952
Current service cost	18,949	-	18,949
Interest expense (income)	10,161	(4,467)	5,694
	641,841	(286,246)	355,595
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,033)	(2,033)
Change in financial assumptions	33,604	-	33,604
Experience adjustments	14,531	-	14,531
	48,135	(2,033)	46,102
Pension fund contribution	-	(33,111)	(33,111)
Paid pension	(44,060)	44,060	-
Balance at December 31	$ 645,916	($ 277,330)	$ 368,586

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2015	2014
Discount rate	1.10%	1.70%
Future salary increases	1.70%	1.70%

Assumptions regarding future mortality rate for 2015 and 2014 are set based on the 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 17,656)	$ 18,319	$ 17,390	($ 16,859)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(F) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2016 amounts to $9,550.

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, 2015 and 2014 were $4,311 thousand and $4,160 thousand, respectively.

(18) Capital stock

As of December 31, 2015 and 2014, 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.

(19) 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% of 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, 2015 and 2014, the details of the Company's capital surplus is as follows:

	December 31, 2015	December 31, 2014
Share premium	$ 312,823	$ 312,823
Share-based payment transactions(Note)	8,106	8,106
	$ 320,929	$ 320,929

Note: the above-mentioned share-based payments are payments by the parent company, Mega Financial Holding Co., Ltd., conducted in accordance with Article 267 Paragraph 1 of the Company Act, where upon issuing new shares for a capital increase, 10% was reserved for subscription by employees of the group.

(20) Retained earnings

	For the years ended December 31,	
	2015	2014
January 1	$ 18,592,588	$ 17,379,932
Profit for the period	3,010,436	3,003,006
Appropriation of earnings	(2,073,388)	(1,752,085)
Remeasurement on post employment benefit obligations, net of tax	(38,716)	(38,265)
December 31	$ 19,490,920	$ 18,592,588

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 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.

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 2014 and 2013 earnings as resolved by the Board of Directors on behalf of the stockholders on April 24, 2014 and May 28, 2013, respectively, were as follows:

	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 889,238		$ 751,557	
Cash dividends of stockholders	2,073,388	$ 1.581	1,752,085	$ 1.336
Cash bonus to employees (Note)	64,322		59,974	

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 ($93,227 thousand and $77,271 thousand, respectively) for the years ended December 31, 2014 and 2013 amounted to $28,905 thousand and $17,297 thousand, respectively, and such difference was due to changes in the employee bonus ratio; the difference has been adjusted as profit or loss for 2015 and 2014, respectively.

(B) The appropriation of 2015 earnings resolved by the Board of Directors on March 22, 2016 is set forth follows:

	2015	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 890,600	
Cash dividends of stockholders	2,077,323	$ 1.584

F. For information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(26).

(21) Interest income, net

	For the years ended December 31,	
	2015	2014
Interest income		
Interest income from bills	$ 1,133,231	$ 1,196,363
Interest income from bonds (Note)	1,662,626	1,567,736
Others	135,108	27,349
Subtotal	2,930,965	2,791,448
Interest expense		
Interest expense of bills payable under repurchase agreements	413,679	500,700
Interest expense of bonds payable under repurchase agreements	386,721	397,661
Interest expense of overdraft and call loans	100,762	81,590
Others	294	1,041
Subtotal	901,456	980,992
Net	$ 2,029,509	$ 1,810,456

Note: Including interest income of $90,642 thousand and $60,762 thousand from convertible bond asset swap recognized for the years ended December 31, 2015 and 2014, respectively.

(22) Service fee and commission income, net

	For the years ended December 31,	
	2015	2014
Service fee income from guarantee service	$ 584,929	$ 534,272
Service fee income from certification service	58,501	56,596
Service fee income from underwriting service	293,462	252,756
Others	41,290	54,867
Subtotal	978,182	898,491
Service fee expense	(10,805)	(10,607)
Net	$ 967,377	$ 887,884

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

	For the years ended December 31, 2015	For the years ended December 31, 2014
Realized (Loss) Gain		
Bills	$ 526,500	$ 396,425
Bonds	21,685	12,466
Derivatives	(2,833)	(2,369)
Others	1,797	-
Subtotal	547,149	406,522
Valuation (Loss) Gain		
Bills	36,384	3,110
Bonds(Note)	16,356	17,245
Derivatives	145	1,175
Others	(2,000)	2,000
Subtotal	50,885	23,530
Total	$ 598,034	$ 430,052

Note: Including gain (loss) of $24,406 thousand and $14,984 thousand on convertible bond asset swap recognized for the years ended December 31, 2015 and 2014, respectively.

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

	For the years ended December 31, 2015	For the years ended December 31, 2014
Dividends income	$ 63,851	$ 103,253
Stocks	318,357	164,538
Bonds	50,007	21,450
Total	$ 432,215	$ 289,241

(25) Provisions (Reversal)

	For the years ended December 31, 2015	For the years ended December 31, 2014
Bad debt recovery	($ 70,393)	($ 134,332)
Reversal provision for guarantee reserve	(64,115)	(526,633)
Total	($ 134,508)	($ 660,965)

(26) Employee benefit

	For the years ended December 31, 2015	For the years ended December 31, 2014
Wages and salaries	$ 478,351	$ 482,122
Labor and health insurance fees	23,638	23,384
Pension costs	32,305	28,803
Other employee benefits	27,735	18,282
Total	$ 562,029	$ 552,591

A. In accordance with the Company's Articles of Incorporation, upon formulating the year-end budget, after paying all taxes and covering prior year losses with the year-end earnings, 30% shall be appropriated as legal reserve pursuant to regulations and special reserve shall be appropriated pursuant to regulations and actual needs. The remainder (including reversible special reserve pursuant to regulations), if any, shall provision 3% to 5% as employees' bonus.

However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the distributable profit of the current year, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. On March 22, 2016, the Board of Directors on behalf of the stockholders' meeting resolved to approve the resolution to amend its Articles of Incorporation. In accordance with the amended Articles, if there are earnings for the fiscal year, 1.75%~3% shall be appropriated as employees' compensation. However, when there are accumulated deficits, earnings to cover the deficit shall first be retained.

B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at $88,822 and $93,227, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation was estimated and accrued based on 2.5% of distributable profit of current year for the year ended December 31, 2015. The employees' compensation resolved by the Board of Directors was $62,175 and the employees' compensation will be distributed in the form of cash.

C. Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Depreciation and amortization

	For the years ended December 31,	
	2015	2014
Depreciation	$ 19,550	$ 18,705
Amortization	4,042	3,244
Total	$ 23,592	$ 21,949

(28) Other business and administrative expenses

	For the years ended December 31,	
	2015	2014
Tax and official fee	$ 74,378	$ 68,769
Rental expenses	45,565	49,298
Professional expense	7,112	9,147
Repairs and maintenance	4,387	4,044
Others	75,549	71,959
Total	$ 206,991	$ 203,217

(29) Income taxes

A. Components of income tax expense:

(A)Components of income tax expense:

	For the years ended December 31, 2015	For the years ended December 31, 2014
Current tax:		
Current tax on profits for the period	$ 485,083	$ 439,177
Prior year income tax (over) underestimation	738	(15,219)
Total current tax	485,821	423,958
Deferred tax:		
Origination and reversal of temporary differences	9,553	2,949
Total deferred tax	9,553	2,949
Income tax expense	$ 495,374	$ 426,907

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

	For the years ended December 31, 2015	For the years ended December 31, 2014
Remeasurement of defined benefit obligations	$ 7,929	$ 7,837

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2015	For the years ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	$ 595,988	$ 583,085
Effects from items disallowed by tax regulation	(27,786)	(97,398)
Effects from tax exempt income	(73,566)	(43,561)
Prior year income tax (over) underestimation	738	(15,219)
Income tax expense	$ 495,374	$ 426,907

C. Temporary differences resulting in deferred income tax assets or liabilities as of December 31, 2015 and 2014:

	For the year ended December 31, 2015			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Pension unfunded	$ 92,316	$ 3,095	$ 7,929	$ 103,340
Others	3,705	(791)	-	2,914
Subtotal	96,021	2,304	7,929	106,254
- Deferred tax liabilities:				
Others	(790)	(11,857)	-	(12,647)
Total	$ 95,231	($ 9,553)	$ 7,929	$ 93,607

	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	$ 85,918	($ 1,439)	$ 7,837	$ 92,316
Others	4,487	(782)	-	3,705
Subtotal	90,405	(2,221)	7,837	96,021
- Deferred tax liabilities:				
Others	(62)	(728)	-	(790)
Total	$ 90,343	($ 2,949)	$ 7,837	$ 95,231

D. As of December 31, 2015, the Company's income tax returns through 2009 had been assessed by the Tax Authorities. The Company disagreed with the assessment for 2009 and has filed for a reassessment. In addition, the assessment for the 2010 tax returns was received on March 14, 2016. The Company disagrees with the assessment and will in accordance with regulations file for a reassessment.

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, 2015 and 2014, current income tax liabilities on the joint filing of income tax returns amounted to $131,256 thousand and $74,713 thousand, respectively.

F. Unappropriated retained earnings

As of December 31, 2015 and 2014, unappropriated retained earnings were both originated after 1998.

G. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was $12,622 thousand and $16,044 thousand, respectively. The creditable tax rate was 0.54% for 2014 and is estimated to be 0.43% for 2015.

(30) Earnings per share

	2015		
	Amount after tax	Weighted-average number of shares outstanding (share in thousands)	Basic and diluted earnings per share (In dollars)
Net income	$ 3,010,436	1,311,441	$ 2.30

	2014		
	Amount after tax	Weighted-average number of shares outstanding (share in thousands)	Basic and diluted earnings per share (In dollars)
Net income	$ 3,003,006	1,311,441	$ 2.29

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 close relatives 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, 2015			
	Demand deposits	Checking deposits	Time deposits	Total
Management of the parent				
BOT	$ 26,281	$ 41,928	$ -	$ 68,209
Fellow subsidiary				
MICB	99,749	75,790	11,990	187,529
Total	$ 126,030	$ 117,718	$ 11,990	$ 255,738

	December 31, 2014			
	Demand deposits	Checking deposits	Time 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

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, 2015			
	Highest Balance	Ending Balance	Interest Rate(%)	Interest Expense
Bank overdrafts				
Management of the parent				
BOT	$ 866,000	$ 129,000	1.755~1.88	$ 10,486
Call loans				
Management of the parent				
Chunghwa Post	11,300,000	-	0.365~0.46	3,827
BOT	10,400,000	-	0.30~0.61	20,790
Fellow subsidiary				
MICB	3,000,000	2,765,776	0.45~5.35(Note1)	1,905
Total		$ 2,894,776		$ 37,008

(Note 1)Interest rates for call loans denominated in NTD and foreign currency were 0.45%~0.66% and 0.70%~5.35%, respectively.

	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 2)	4,703
Fellow subsidiary				
MICB	4,500,000	3,000,000	0.405~4.30(Note 3)	7,857
Total		$ 5,794,000		$ 26,677

(Note 2)Interest rates for call loans denominated in NTD and foreign currency were 0.41%~0.61% and 0.40%~4.00%, respectively.

(Note 3)Interest rates for call loans denominated in NTD and foreign currency were 0.405%~0.66% and 0.48%~4.30%, respectively.

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,	
	2015	2014
Ultimate parent		
Mega Holding	$ 26,487,445	$ 22,334,888
Management of the parent		
Chunghwa Post	50,586	-
Fellow subsidiary		
MAM	6,097,241	-
MS	3,267,912	15,798,792
Total	$ 35,903,184	$ 38,133,680

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, 2015	
	Amount	Gain or loss from financial assets and liabilities at fair value through profit or loss
Management of the parent		
Chunghwa Post	$ 63,926,278	$ 19,795
BOT	23,736,387	5,065
Fellow subsidiary		
MICB	323,756,768	116,403
Other related parties		
Mega Diamond Money Market Fund	19,365,304	8,322
Total	$ 430,784,737	$ 149,585

	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

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, 2015					
	Type of instrument	Issuance date	Maturity date	Interest rate (%)	Face value	Cost
Fellow subsidiary						
MAM	Commercial papers	2015.12.23	2016.01.22	0.64	$1,100,000	$1,099,421

December 31, 2014 : None.

F. Bills and bonds under repurchase agreements

	For the year ended December 31, 2015		
	Amount	Ending balance	Interest expense
Ultimate parent			
Mega Holding	$ 7,880,508	$ -	$ 2,837
Fellow subsidiary			
MICB	80,179,796	-	1,556
CKI	4,027,481	49,902	1,101
MS	3,695,208	149,881	787
MIIT	166,159	-	81
Other related parties			
Mega Diamond Money Market Fund	799,226	-	105
Others	100,000	-	14
Total	$ 96,848,378	$ 199,783	$ 6,481

	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

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

G. Financial derivative transactions

	For the year ended December 31, 2015					
					Balance on balance sheet	
	Name of derivative contract	Contract period	Nominal principal	Current year valuation gains or losses	Item	Ending balance
Management of the parent						
BOT	-	-	$ -	$ -(Note)	-	$ -

Note: realized loss was $1,287 thousand.

December 31, 2014: None.

H. Guarantees provided to related parties

	For the year ended December 31, 2015					
	Highest Balance	Ending Balance	Allowance for doubtful accounts and reserves for guarantee liabilities	Rates (%)	Pledged Asset	Fees income
Fellow subsidiary						
MAM	$ 420,000	$ -	$ -	0.63	Real estate	$ 45

	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

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

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

	For the year ended December 31, 2015			
	Highest Balance	Ending Balance	Rates (%)	Fees income
Ultimate parent				
Mega Holding	$ 4,000,000	$ 3,000,000	0.63~0.91	$ 964
Fellow subsidiary				
MAM	2,650,000	2,650,000	0.63~0.93	307
MS	810,000	210,000	0.65~0.98	177
		$ 5,860,000		$ 1,448

	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

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

J. Collaterals provided to related parties for bank overdrafts

	Pledged Asset	December 31, 2015	December 31, 2014
Management of the parent			
BOT	Financial assets at fair value through profit or loss - negotiable certificates of time deposit	$ 700,971	$ 701,202
	Available-for-sale financial assets - government bonds	378,756	1,264,084
	Available-for-sale financial assets - corporate bonds	1,623,094	753,366
Fellow subsidiary			
MICB	Financial assets at fair value through profit or loss - negotiable certificates of time deposit	2,700,409	200,365
	Available-for-sale financial assets - government bonds	2,243,934	2,339,671
		$ 7,647,164	$ 5,258,688

K. Assets provided as operating deposits for securities firm:

	Pledged Asset	December 31, 2015	December 31, 2014
Management of the parent			
BOT	Available-for-sale financial assets - government bonds	$ 50,758	$ 91,010

L. 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, 2015	For the years ended December 31, 2014
Fellow subsidiary		
MICB	$ 114	$ 261

M. Leasehold income

Lessee	Leased Property	Period	For the years ended December 31, 2015	For the years ended December 31, 2014
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	1,037	1,030
			$ 85,283	$ 85,276

(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.

N. Rental expenses

Lessor	Rental Property	Period	For the years ended December 31 2015	2014
Fellow subsidiary				
MICB	Office	Jan. 1, 2013-Dec. 31, 2015	$ 35,121	$ 35,121
MICB	Office	Jan. 1, 2014-Feb. 28, 2015	126	756
MICB	Office	-	20	-
CKI	Warehouse	Dec. 1, 2011-Nov. 30, 2016	316	314
			$ 35,583	$ 36,191

(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.

(C) The Company leased the office on Hengyang Rd., Taipei City from MICB based on a daily rent for education and training venues.

(D) 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.

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

O. Insurance expenses

	For the years ended December 31, 2015	2014
Fellow subsidiary		
CKI	$ 3,403	$ 3,414

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

	For the years ended December 31, 2015	2014
Salaries and other short-term employee benefits	$ 30,685	$ 30,702
Post-employment benefits	700	721
	$ 31,385	$ 31,423

8. PLEDGED ASSETS

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

	December 31,		
	2015	2014	Secured for
Financial asset at fair value through profit or loss - negotiable certificates of time deposit	$ 10,405,233	$ 11,805,879	Collateral for Central bank and other banks' overdraft
Available-for-sale financial assets - government bonds	6,635,254	7,651,453	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	1,623,094	753,366	Bank overdraft
Other financial assets- certificate of deposit pledged	400,000	400,000	Bank overdraft
Total	$ 19,063,581	$ 20,610,698	

9. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2015 and 2014, the commitments and contingencies arising from the Company's normal course of business were as follows:

	December 31,	
	2015	2014
Securities bills and bonds investment with resale agreements	$ 1,000,000	$ 9,805,054
Securities bills and bonds payable under repurchase agreements	173,109,248	163,777,891
Guarantees on commercial papers	150,968,600	145,710,300
Fixed rate commercial paper purchased	8,870,000	7,570,000
Fixed rate commercial paper sold	500,000	-
Index rate commercial paper purchased	29,710,000	21,360,000
Index rate commercial paper sold	5,500,000	1,650,000

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

(a) 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) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(1)B. In addition, information on the counterparty's and Company's credit risk is also considered and assessed throughout the valuation process.

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-to-maturity financial assets	$ 600,000	$ 606,715	$ 850,000	$ 857,900

b. The fair values of the above-mentioned held-to-maturity financial assets are all classified as Level 2.

(b) The Company's methods and assumptions used in measuring fair value is as follows:

c. Held-to-maturity financial assets: if there are public quotes in active markets, then the market price is the fair value; when there are no available market prices for reference, then estimates from valuation methods or quotes used by the counterparty are elected.

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

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

b. Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

c. Level 3

Unobservable inputs for the asset or liability. There are no financial instruments measured at fair value held by the Company which are classified as Level 3.

(Blank Below)

(B) Information of fair value hierarchy of financial instruments

Unit: In thousand of New Taiwan dollars

Recurring fair value measurement	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative Financial Instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Investment in bills	$ 109,132,348	$ -	$ 109,132,348	$ -
Investment in bonds	368,177	-	368,177	-
Financial assets designated as at fair value through profit or loss on initial recognition	5,784,581	-	5,784,581	-
Available-for-sale financial assets				
Investment in stock	992,445	992,445	-	-
Investment in bonds	99,309,014	514,975	98,794,039	-
Beneficiary or asset-backed securities	513,321	-	513,321	-
Other	1,445	1,445	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	6,149	-	6,149	-

Recurring fair value measurement	December 31, 2014 Total	Level 1	Level 2	Level 3
Non-derivative Financial Instruments				
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	$ -

(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; bank debentures, 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 average price of the Reuters. The exchange rate adopted is the spot average 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, 2015 and 2014.

(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. Additionally, 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) Master netting arrangements

The Company's transactions predominantly settle at gross amount. A portion of transactions have entered into net master netting arrangements with counterparties or upon the event of a default may cease all transactions with the counterparties and settle by net amount in order to further reduce credit risk.

(C) Other credit enhancements

A portion of the Company's held financial instruments have obtained guarantees from financial institutions in order to reduce credit risk.

(D) 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 enhancements, is equivalent to the carrying amount. The maximum exposure amount related to off-balance-sheet items is as follows:

Off-balance-sheet items	Carrying amount	Maximum credit risk exposure amount
December 31,2015		
Off-balance-sheet guarantees	$ -	$ 150,968,600
December 31,2014		
Off-balance-sheet guarantees	-	145,710,300

(B) As of December 31, 2015 and 2014, the off-balance sheet contract amount for the guarantees of commercial papers subject to potential credit risks is NT$292,445 million and NT$279,967 million, respectively (The contract amount which has been drawn upon amounted to NT$150,969 million and NT$145,710 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, 2015 and 2014, the percentage of guarantees with collaterals is 68.49% and 63.70%, 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) Information on the financial impact of collateral, master netting arrangements and other credit enhancements of the Company's assets subject to credit exposure is as follow:

December 31, 2015	Collateral	Master netting arrangements	Other credit enhancements	Total
Financial assets measured at fair value through profit or loss-debt instruments	$ -	$ -	$ 4,352,415	$ 4,352,415
Available-for-sale financial assets-debt instruments	-	-	3,075,000	3,075,000
Investments in bills and bonds with resale agreements	1,000,000	-	-	1,000,000
Off-balance-sheet guarantees	103,394,900	-	-	103,394,900

December 31, 2014	Collateral	Master netting arrangements	Other credit enhancements	Total
Financial assets measured at fair value through profit or loss-debt instruments	$ -	$ -	$ 6,937,979	$ 6,937,979
Available-for-sale financial assets-debt instruments	-	-	1,750,000	1,750,000
Investments in bills and bonds with resale agreements	9,805,054	-	-	9,805,054
Off-balance-sheet guarantees	92,821,730	-	-	92,821,730

Note 1: Collaterals include property, movable property, securities and certificates of deposits.

d. (1)Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, value of collaterals must be assessed.

e. (2)Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

Note 2: For explanations on master netting arrangements and other credit enhancements, please refer to Note 13(3)C(B) and (C).

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, 2015		December 31, 2014	
	Amount	Ratio(%)	Amount	Ratio(%)
Financial & insurance	$ 46,194,200	30.60	$ 44,911,700	30.82
Real estate	38,380,700	25.42	32,808,600	22.52
Manufacturing	34,344,900	22.75	38,589,000	26.48
Wholesale & retail	9,301,200	6.16	10,133,600	6.95
Others – less than 5% of balance of guarantees at period end	22,747,600	15.07	19,267,400	13.23
Total	$ 150,968,600	100.00	$ 145,710,300	100.00

(B) Collateral (guarantee service)

	December 31, 2015		December 31, 2014	
	Amount	Ratio(%)	Amount	Ratio(%)
Unsecured	$ 47,573,700	31.51	$ 52,888,570	36.30
Secured	103,394,900	68.49	92,821,730	63.70
Secured by stocks	28,689,887	19.00	29,611,161	20.32
Secured by bonds	5,433,555	3.60	4,840,068	3.32
Secured by real estate	65,398,229	43.32	54,207,405	37.20
Others	3,873,229	2.57	4,163,096	2.86
Total	$ 150,968,600	100.00	$ 145,710,300	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, investments in bills and bonds 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

(A) Credit quality analysis on securities investment

Financial assets	Excellent	Satisfactory	Fair	Weaker	No rating(note)	Past due but not impaired	Impaired	Total	Reserve for losses	Net amount
December 31, 2015										
	Neither past due nor impaired									
Financial assets at fair value through profit or loss										
Investment in bills	$ 49,196,831	$ 38,961,487	$ 17,128,378	$ 3,650,986	$ 194,666	$ -	$ -	$ 109,132,348	$ -	$ 109,132,348
Investment in bonds	1,406,676	540,104	-	-	4,205,978	-	-	6,152,758	-	6,152,758
Bills and bonds investment with resale agreements	-	1,000,000	-	-	-	-	-	1,000,000	-	1,000,000
Available-for-sale financial assets										
Investment in bonds	94,487,075	4,560,225	-	-	261,714	-	-	99,309,014	-	99,309,014
Beneficiary or asset-backed securities	513,321	-	-	-	-	-	-	513,321	-	513,321
Held-to-maturity financial assets	250,000	350,000	-	-	-	-	-	600,000	-	600,000
Financial assets carried at cost	-	-	-	-	-	-	600,900	600,900	398,700	202,200

Financial assets	Excellent	Satisfactory	Fair	Weaker	No rating(note)	Past due but not impaired	Impaired	Total	Reserve for losses	Net amount
December 31, 2014										
	Neither past due nor impaired									
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

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 were no accounts receivable as of December 31, 2014 and 2015.

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, 2015				
On-balance sheet accounts				
Financial assets carried at cost	$ 600,900	$ 398,700	$ 202,200	None
December 31, 2014				
On-balance sheet accounts				
Financial assets carried at cost	600,900	398,700	202,200	None

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, 2015	December 31, 2014
Guarantees in arrear and guaranteed credits overdue for no longer than three months	$ -	$ -
Overdue credits (including overdue receivables)	-	-
Loans under surveillance	-	-
Overdue receivables	-	-
Ratio of overdue credits (%)	-	-
Ratio of overdue credits plus ratio of loans under surveillance (%)	-	-
Provision for bad debts and guarantees as required by regulation	2,292,234	2,188,546
Provision for bad debts and guarantees actually reserved	2,324,003	2,411,870

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, 2015	December 31, 2014
Total guarantees and endorsement for short-term bills	$ 150,968,600	$ 145,710,300
Guarantees and endorsement for short-term bills / Net amount (after deducting final accounts allotment)	4.98	4.92
Total bills and bonds payable under repurchase agreements	173,109,248	163,777,891
Bills and bonds payable under repurchase agreements / Net amount (after deducting final accounts allotment)	5.71	5.53

(C) Concentration of credit risk

Items	December 31, 2015		December 31, 2014	
Credits extended to related parties	$ 97,000		$ 520,000	
Percentage of credits extended to related parties (%) (Note 1)	0.06		0.36	
Percentage of credits extended secured by equity (%) (Note 2)	19.00		20.32	
Industry concentration (Top 3 industries with maximum industry credit ratio)	Industry	Ratio(%)	Industry	Ratio(%)
	Financial and insurance	30.60	Financial and insurance	30.82
	Real estate	25.42	Manufacturing	26.48
	Manufacturing	22.75	Real estate	22.52

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, 2015 and 2014, the carrying amounts of financial assets and financial liabilities are classified according to their time-to-maturity as follows:

	December 31, 2015						
	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	$ 309,366	$ 12,086	$ -	$ -	$ -	$ -	$ 321,452
Financial assets at fair value through profit or loss							
Non-derivative financial instruments	64,173,126	36,647,709	9,259,664	1,422,334	4,090,627	-	115,593,460
Available-for-sale financial assets	103,058	2,826,983	2,324,574	7,021,777	60,549,932	37,943,731	110,770,055
Bills and bonds investment with resale agreements	1,000,207	-	-	-	-	-	1,000,207
Receivables	8,970	-	-	-	-	-	8,970
Held-to-maturity financial assets	1,100	252,600	-	6,100	361,600	-	621,400
Other financial assets	74,470	460	200,451	200,661	-	-	476,042
Total assets	$ 65,670,297	$ 39,739,838	$ 11,784,689	$ 8,650,872	$ 65,002,159	$ 37,943,731	$ 228,791,586
Liabilities							
Interbank overdraft and call loans	(11,296,566)	-	-	-	-	-	(11,296,566)
Financial liabilities at fair value through profit or loss							
Non-derivative financial instruments	-	-	-	-	(6,149)	-	(6,149)
Bills and bonds payable under repurchase agreements	(153,558,797)	(17,025,646)	(2,589,078)	(645)	-	-	(173,174,166)
Payables	(123,073)	(123,902)	(163,800)	(63,740)	-	-	(474,515)
Other funds outflow upon maturity	(770,771)	(8,700)	-	(421)	(4,596)	-	(784,488)
Total liabilities	(165,749,207)	(17,158,248)	(2,752,878)	(64,806)	(10,745)	-	(185,735,884)
Net liquidity gap	($ 100,078,910)	$ 22,581,590	$ 9,031,811	$ 8,586,066	$ 64,991,414	$ 37,943,731	$ 43,055,702

	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

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

There were no derivatives that settled at a gross basis at December 31, 2015.

	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

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

There were no derivatives that settled at a net basis at December 31, 2015.

	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

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, 2015						
Off-balance sheet items						
Guarantees for commercial papers	$ 115,559,100	$ 33,607,800	$ 1,801,700	$ -	$ -	$ 150,968,600
December 31, 2014						
Off-balance sheet items						
Guarantees for commercial papers	$ 110,560,300	$ 33,407,000	$ 1,743,000	$ -	$ -	$ 145,710,300

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, 2015	Below 1 year	1 to 5 years	Over 5 years	Total
lease commitment				
Operating lease expense (lessee)	($ 38,778)	($ 70,435)	$ -	($ 109,213)
Operating income (lessor)	104,958	221,726	-	326,684
Total	$ 66,180	$ 151,291	$ -	$ 217,471
December 31, 2014				
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

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, 2015
(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	63,838	36,411	8,838	-	-
Bonds	251	1,442	1,923	7,567	95,392
Bank deposit	309	12	200	200	-
Loans extended	-	-	-	-	-
Bills and bonds investment with resale agreements	1,000	-	-	-	-
Total	65,398	37,865	10,961	7,767	95,392
Sources of capital					
Loans borrowed	11,295	-	-	-	-
Bills and bonds payable under repurchase agreements	153,516	17,008	2,584	1	-
Own capital	-	-	-	-	34,453
Total	164,811	17,008	2,584	1	34,453
Net capital	(99,413)	20,857	8,377	7,766	60,939
Accumulated net capital	(99,413)	(78,556)	(70,179)	(62,413)	(1,474)

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	-	-	-	-	33,131
Total	156,909	20,895	1,845	56	33,131
Net capital	(88,195)	38,079	3,251	4,038	39,502
Accumulated net capital	(88,195)	(50,116)	(46,865)	(42,827)	(3,325)

(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.

(C) Company's foreign exchange risk exposure

(Expressed in Thousands of NT Dollars)

	December 31, 2015	
	USD	RMB
Cash and cash equivalents	$ 6,840	$ 11,994
Available-for-sale financial assets	9,560,675	-
Receivables - net	117,482	34
Total assets	9,684,997	12,028
Interbank overdraft and call loans	65,776	-
Bills and bonds sold under repurchased agreements	9,493,161	-
Payables	1,346	-
Total liabilities	9,560,283	-
On-balance sheet foreign exchange gap	$ 124,714	$ 12,028
Off-balance sheet currency swaps	$ -	$ -
Exchange rate to NTD	32.888	4.9959
Foreign exchange gain (loss)	$ 3,457	($ 254)

	December 31, 2014	
	USD	RMB
Cash and cash equivalents	$ 516	$ 538
Available-for-sale financial assets	1,658,664	101,943
Receivables - net	21,155	2,073
Total assets	1,680,335	104,554
Interbank overdraft and call loans	32,613	-
Bills and bonds sold under repurchased agreements	1,416,242	91,126
Payables	723	155
Total liabilities	1,449,578	91,281
On-balance sheet foreign exchange gap	$ 230,757	$ 13,273
Off-balance sheet currency swaps	($ 194,727)	$ -
Exchange rate to NTD	31.663	5.0971
Foreign exchange gain	$ 3,985	$ 298

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.

H. Sensitivity Analysis

December 31, 2015			
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 1%.	($ 1,368)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	1,368	-
Interest rate risk	Major increases in interest rates 1bp	(1,770)	(42,564)
Interest rate risk	Major decline in interest rates 1bp	1,771	42,600
Equity securities risk	TAIEX declined by 1%.	-	(7,179)
Equity securities risk	TAIEX increased by 1%	-	7,179

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 1%.	($ 493)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	493	-
Interest rate risk	Major increases in interest rates 1bp	(1,650)	(22,510)
Interest rate risk	Major decline in interest rates 1bp	1,651	22,449
Equity securities risk	TAIEX declined by 1%.	(197)	(16,934)
Equity securities risk	TAIEX increased by 1%	197	16,934

(Blank Below)

I. 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, 2015

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	103,263,453	10,960,681	7,766,461	95,392,432	217,383,027
Interest rate sensitive liabilities	181,819,763	2,583,619	642	-	184,404,024
Interest rate sensitive gap	(78,556,310)	8,377,062	7,765,819	95,392,432	32,979,003
Net worth					34,453,252
Ratio of interest rate sensitive assets to interest rate sensitive liabilities (%)					117.88
Ratio of interest rate sensitivity gap to net worth (%)					95.72

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					33,130,765
Ratio of interest rate sensitive assets to interest rate sensitive liabilities (%)					116.59
Ratio of interest rate sensitivity gap to net worth (%)					89.97

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, 2015	
	Average Amount	Average Interest Rate (%)
Assets		
Cash and cash equivalents (Note)	$ 899,501	0.50
Financial assets at fair value through profit or loss	113,448,200	1.08
Bills and bonds investment with resale agreements	2,855,538	0.56
Available-for-sale financial assets	88,626,072	1.74
Held-to-maturity financial assets	607,534	2.06
Liabilities		
Interbank overdraft and call loans	22,314,315	0.45
Bills and bonds payable under repurchase agreements	154,021,273	0.52

	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

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, 2015

	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:

(1) 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, 2015	December 31, 2014
Eligible capital	Tier 1 Capital, net	30,545,923	28,042,024
	Tier 2 Capital, net	-	-
	Tier 3 Capital, net	742,820	506,866
	Eligible capital, net	31,288,743	28,548,890
Risk-weighted assets, total	Credit risk	150,648,275	143,869,894
	Operation risk	6,520,755	6,551,550
	Market risk	68,198,800	55,911,438
	Risk-weighted assets, total	225,367,830	206,332,882
Capital adequacy ratio (%)		13.88	13.84
Ratio of Tier I capital to risk - weighted assets (%)		13.55	13.59
Ratio of Tier II capital to risk - weighted assets (%)		-	-
Ratio of Tier III capital to risk - weighted assets (%)		0.33	0.25
Ratio of common stocks to total assets (%)		5.88	6.06

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.

B. 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 branches 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.

(3) Reconciliation for segment

Segmental information provided to CODM :

Items	For the year ended December 31, 2015 Bills Segment	Bonds Segment	Branch Segment	Adjustments	Total
Net revenues (Note)	$ 1,093,141	$ 1,376,257	$ 1,430,650	$ 263,866	$ 4,163,914
Net revenues from external clients	1,954,003	1,469,881	717,673	22,357	4,163,914
Net bills revenues	1,818,313	-	438,290	-	2,256,603
Net bond revenues	-	1,086,794	277,160	-	1,363,954
Net equity investment revenues	-	382,005	-	-	382,005
Other net revenues	135,690	1,082	2,223	22,357	161,352
Net inter-segment revenues	(860,862)	(93,624)	712,977	241,509	-
Net bills revenues	(860,862)	-	700,560	160,302	-
Net bond revenues	-	(93,624)	717	92,907	-
Other net revenues	-	-	11,700	(11,700)	-
Interest income	889,620	998,745	109,874	31,270	2,029,509
Gains (losses) from reportable segments	1,093,141	1,376,257	1,089,042	(52,630)	3,505,810
Reportable segment assets	60,040,710	82,630,397	77,326,295	3,100,323	223,097,725
Reportable segment liabilities	39,375,792	60,168,432	75,863,446	13,236,803	188,644,473

Items	For the year ended December 31, 2014 Bills Segment	Bonds Segment	Branch Segment	Adjustments	Total
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 segments	937,013	1,194,477	879,450	418,973	3,429,913
Reportable segment assets	69,277,889	74,448,124	70,532,238	2,052,730	216,310,981
Reportable segment liabilities	41,906,221	54,845,171	69,631,051	16,797,773	183,180,216

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

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 3 years		
		2015	2014	2013
Cash and cash equivalent, central bank deposits, interbank call loans		321,356	444,266	544,617
Financial assets at fair value through profit and loss		115,285,106	117,026,616	133,085,711
Available-for-sale financial assets		100,816,225	83,333,880	80,127,802
Bills and bonds purchased under resale agreements		1,000,000	9,805,054	1,966,157
Receivables - net		1,185,047	1,004,365	1,072,383
Held-to-maturity financial assets		600,000	850,000	500,000
Other financial assets - net		818,540	802,252	1,303,700
Property, plant and equipment - net		375,457	370,378	362,205
Investment properties - net		2,539,088	2,549,752	2,560,415
Intangible assets - net		2,427	2,886	3,303
Deferred income tax assets - net		106,254	95,088	89,030
Other assets		48,225	25,511	27,647
Total assets		223,097,725	216,310,048	221,642,970
Interbank overdraft and call loans		11,294,776	15,926,613	21,259,000
Financial liabilities at fair value through profit and loss		6,149	411	1,352
Bills and bonds payable under repurchase agreements		173,109,248	163,777,891	163,869,633
Payables		504,042	502,801	809,067
Current income tax liabilities		131,256	74,713	124,310
Liabilities reserve		2,757,420	2,774,969	3,282,308
Deferred income tax liabilities		12,647	790	62
Other liabilities		828,935	116,541	179,726
Total liabilities	Before allocation	188,644,473	183,174,729	189,525,458
	After allocation	Note	185,248,117	191,277,543
Capital stock	Before allocation	13,114,411	13,114,411	13,114,411
	After allocation	Note	13,114,411	13,114,411
Capital surplus		320,929	320,929	320,929

Retained earnings	Before allocation	19,490,920	18,597,142	17,386,645
	After allocation	Note	16,523,754	15,634,560
Other equity		1,526,992	1,102,837	1,295,527
Total equity	Before allocation	34,453,252	33,135,319	32,117,512
	After allocation	Note	31,061,931	30,365,427

Note: as of the publication date of this annual report, the 2015 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 its behalf.

Condensed income statements Unit: NT$ thousands

Item \ Year	Financial information for the last 3 years		
	2015	2014	2013
Interest Income	2,930,965	2,791,448	2,837,819
Less: Interest Expense	(901,456)	(980,992)	(1,058,294)
Interest income, net	2,029,509	1,810,456	1,779,525
Revenue other than interest income, net	2,134,405	1,736,249	1,872,669
Gross profit	4,163,914	3,546,705	3,652,194
Provisions	134,508	660,965	177,739
Operating expenses	(792,612)	(780,358)	(775,732)
Income before Income Tax from Operating Unit	3,505,810	3,427,312	3,054,201
Income tax (expense) gain	(495,374)	(426,465)	(423,718)
Net Income Tax from Operating Unit	3,010,436	3,000,847	2,630,483
Income (loss) from discontinued operations	-	-	-
Net Income (loss)	3,010,436	3,000,847	2,630,483
Other comprehensive income for the current period (net of tax expense)	385,439	(230,955)	(1,220,140)
Comprehensive Income for the current period	3,395,875	2,769,892	1,410,343
EPS	2.30	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 2011 - 2012	
		2012	2011
Cash and cash equivalent, central bank deposits, interbank call loans		367,174	601,915
Financial assets at fair value through profit or loss		129,072,587	135,756,870
Available-for-sale financial assets		81,883,882	83,240,989
Receivables		1,261,152	1,833,166
Held-to-maturity financial assets		500,000	250,000
Fixed assets		2,918,234	2,928,881
Intangible assets		4,750	1,096
Other financial assets		1,299,398	822,684
Other assets		110,397	47,010
Total assets		217,417,574	225,482,611
Interbank overdraft and call loans		20,861,000	3,416,000
Financial liabilities at fair value through profit or loss		3,154	-
Bills and bonds payable under repurchase agreements		159,376,775	184,993,275
Payables		1,000,645	1,257,098
Other liabilities		3,356,926	3,221,063
Total liabilities	Before allocation	184,598,500	192,887,436
	After allocation	186,615,496	194,765,419
Capital stock	Before allocation	13,114,411	13,114,411
	After allocation	13,114,411	13,114,411
Capital surplus		312,823	312,823
Retained earnings	Before allocation	16,900,777	15,897,794
	After allocation	14,883,781	14,019,811
Unrealized gain or loss on financial products		2,567,813	3,327,430
Other equities		(76,750)	(57,283)
Total stockholders' equity	Before allocation	32,819,074	32,595,175
	After allocation	30,802,078	30,717,192

Condensed income statements Unit: NT$ thousands

Item \ Year	Financial information 2011 - 2012	
	2012	2011
Interest income, net	1,989,274	2,407,627
Revenue other than interest income, net	2,282,614	1,599,847
Provisions	(126,379)	(89,757)
Operating expenses	(796,950)	(779,614)
Income before income tax from continuing operations	3,348,559	3,138,103
Income after income tax from continuing operations	2,880,966	2,682,302
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
EPS	2.20	2.05

III. Independent Auditor's Names and Opinion

Year	Name of accounting firm	Name of auditor	Audit opinion
2015	PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou, CPA, and Shu-Mei Ji, CPA	Unqualified opinion
2014	PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou, CPA, and Po-Ju Kuo, CPA	Unqualified opinion
2013	PricewaterhouseCoopers, Certified Public Accountants	Chien-Hung Chou, CPA, and 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

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 3 years		
		2015	2014	2013
Managerial ability	Average number of days of bills and bonds held	5.12	4.92	5.54
	NPL ratio	0	0	0
	Total assets turnover rate	0.02	0.02	0.02
	Average yield per employee	18,183	15,905	16,304
	Average profit per employee	13,146	13,457	11,743
Profitability	ROA (%)	1.37	1.37	1.20
	ROE (%)	8.91	9.20	8.11
	Net profit margin (%)	72.30	84.61	72.02
	EPS (NT$)	2.30	2.29	2.01
Financial structure	Liability to total assets ratio (%)	83.52	83.57	84.17
	Property and equipment to stockholder equity ratio (%)	1.09	1.12	1.13
Growth rate	Asset growth rate (%)	3.14	-2.41	1.89
	Profit growth rate (%)	2.21	12.22	-9.02
Cash flow	Cash flow ratio (%)	3.57	3.89	0.96
	Cash flow adequacy ratio (%)	182.30	154.37	156.92
Credit extended to stakeholders with collateral		97,000	520,000	0
Percentage of credits extended to stakeholders with collateral (%)		0.06	0.36	0
Scale of operations	Asset market share (%)	23.83	26.48	26.77
	Net value market share (%)	29.44	29.60	29.58
	Market share for guaranteed CP2 (%)	31.54	31.42	32.91
	Market share for each type of bills and bonds issue and first time purchase (%)	29.65	29.05	30.38
	Market share for each type of bills and bonds trading (%)	33.18	35.07	33.57
BIS ratio	BIS ratio (%)	13.88	13.84	13.57
	Eligible capital	31,288,743	28,548,890	28,705,412
	Total value of risk assets	225,367,830	206,332,882	211,584,531
	Ratio of Tier I capital to risk - weighted assets	13.55	13.59	13.29

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

1. The increase in asset growth rate was mainly due to an increase in bonds held.
2. The decrease in profit growth rate was mainly due to lesser reversal of previous provisions.
3. Decrease in credit extended to stakeholders with collateral and decrease in credits extended to stakeholders with collateral were attributed to a reduction of secured loans to stakeholders.

Note: Equations for analysis items:

1. Managerial ability
   (1) Average number of days of bills and bonds held= 365 / bills and bonds turnover rate. (Bills and bonds turnover rate=Amount of each type of bills or bonds trading / average balance of each installment of bills or bonds).
   (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=Net Income/total number of employees.
2. Profitability
   (1) ROA=Net Income/average total assets.
   (2) ROE=Net Income/average equity, net.
   (3) Net profit margin=Net Income/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 bills and bonds issue and first time purchase=Amount of each type of bills and bonds issue and first time purchase/total amount of each type of bills and bonds issue and first purchase by all bills financial companies.
   (5) Market share for each type of bills and bonds trading=Amount of each type of bills and bonds trading/total amount of each type of bills and bonds trading by all bills financial companies.
7. BIS ratio
   (1) BIS 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 2011 to 2012 (2012)	Financial Analysis from 2011 to 2012 (2011)
Managerial ability	Average number of days of bills and bonds holding	5.26	4.95
	NPL ratio	0	0
	Total assets turnover rate	0.02	0.02
	Average yield per employee	19,071	17,891
	Average profit per employee	12,861	11,975
Profitability	ROA (%)	1.30	1.23
	ROE (%)	8.81	8.24
	Net profit margin (%)	67.44	66.93
	EPS (NT$)	2.20	2.05
Financial structure	Liability to total assets ratio (%)	83.53	84.25
	Fixed assets to stockholders' equity ratio (%)	8.89	8.99
Growth rate	Asset growth rate (%)	-3.58	6.77
	Profit growth rate (%)	6.71	-0.56
Cash flow	Cash flow ratio (%)	N/A	1.19
	Cash flow adequacy ratio (%)	189.27	386.83
Credit extended to stakeholders with collateral		545,000	210,000
Percentage of credits extended to stakeholders with collateral (%)		0.38	0.16
Scale of operations	Asset market share (%)	28.36	28.57
	Net value market share (%)	30.39	30.16
	Market share for guaranteed CP2 (%)	35.79	36.85
	Market share for each type of bills and bonds issue and first time purchase (%)	31.40	31.29
	Market share for each type of bills and bonds trading (%)	33.65	34.74
BIS ratio	BIS ratio (%)	13.49	14.48
	Eligible capital	28,584,534	28,220,229
	Total value of risk assets	211,953,033	194,834,756
	Ratio of Tier I capital to risk weighted assets	12.94	13.71

Note: Equations for analysis items:

1. Managerial ability
   (1) Average number of days of bills and bonds held= 365 / bills and bonds turnover rate. (Bills and bonds turnover rate=Amount of each type of bills or bonds trading / average balance of each installment of bills or bonds).
   (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=Net Income/total number of employees.

2. Profitability
   (1) ROA=Net Income/average total assets.
   (2) ROE=Net Income/average stakeholders' equity, net.
   (3) Net profit margin=Net Income/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 bills and bonds issue and first time purchase=Amount of each type of bills and bonds issue and first time purchase/total amount of each type of bills and bonds issue and first purchase by all bills financial companies.
   (5) Market share for each type of bills and bonds trading=Amount of each type of bills and bonds trading/total amount of each type of bills and bonds trading by all bills financial companies.
7. BIS ratio
   (1) BIS 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 2015. The financial statements were audited and certified by Chien-Hung Chou, CPA and Shu-Mei Ji 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 2016 of Mega Bills Finance Corporation

Supervisor: Dan-Hung Lu

Supervisor: Jin-Cun Chen

Supervisor: Ching-Lung Hung

March 22, 2016

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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

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

Year / Item	2015	2014	Variation	
			Amount	%
Cash and cash equivalents	321,356	444,266	(122,910)	(27.67)
Financial assets at fair value through profit and loss	115,285,106	117,026,616	(1,741,510)	(1.49)
Available-for-sale financial assets	100,816,225	83,333,880	17,482,345	20.98
Bills and bonds purchased under resale agreements	1,000,000	9,805,054	(8,805,054)	(89.80)
Receivables– net	1,185,047	1,004,365	180,682	17.99
Held-to-maturity financial assets	600,000	850,000	(250,000)	(29.41)
Other financial assets - net	818,540	802,252	16,288	2.03
Property and equipment - net	375,457	370,378	5,079	1.37
Investment property– net	2,539,088	2,549,752	(10,664)	(0.42)
Intangible assets - net	2,427	2,886	(459)	(15.90)
Deferred income tax assets- net	106,254	96,021	10,233	10.66
Other assets - net	48,225	25,511	22,714	89.04
Total assets	223,097,725	216,310,981	6,786,744	3.14
Interbank overdraft and call loans	11,294,776	15,926,613	(4,631,837)	(29.08)
Financial liabilities at fair value through profit and loss	6,149	411	5,738	1,396.11
Bills and bonds payable under repurchase agreements	173,109,248	163,777,891	9,331,357	5.70
Payables	504,042	502,801	1,241	0.25
Current income tax liabilities	131,256	74,713	56,543	75.68
Liabilities reserve	2,757,420	2,780,456	(23,036)	(0.83)
Deferred income tax liabilities	12,647	790	11,857	1,500.89
Other liabilities	828,935	116,541	712,394	611.28
Total liabilities	188,644,473	183,180,216	5,464,257	2.98
Capital stock	13,114,411	13,114,411	-	-
Capital surplus	320,929	320,929	-	-
Retained earnings	19,490,920	18,592,588	898,332	4.83
Other equity	1,526,992	1,102,837	424,155	38.46
Total equity	34,453,252	33,130,765	1,322,487	3.99

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

1. Figures for 2014, the year of comparison, were prepared based on the 2013 version of IFRS.
2. Cash and cash equivalents decreased mainly because of lower fixed deposits.
3. Available-for-sale financial assets increased mainly because of higher holding position in bonds.
4. Decrease in resale note and resale bonds investments was mainly due to lesser trading of bonds with resale agreements.
5. Held-to-maturity financial assets decreased mainly because some bonds had matured.
6. Increase in Other assets - net was mainly due to temporary proceeds paid for the subscription of bonds.
7. The decrease in interbank overdraft and call loans was the result of smaller position of bills held in the Company’s possession.
8. Increase in current income tax liabilities was mainly caused by an increase in income tax payable.
9. Increase in deferred income tax liabilities was recognized mainly from gain on valuation of financial instruments.
10. Increase in other liabilities was mainly due to temporary acceptance of borrowers’ bills for repayment.
11. Increase in other equity items was mainly due to unrealized gains from available-for-sale financial assets.

Two. Financial performance

Unit: NT$ thousands

Accounts	2015	2014	Increase (Decrease) amount	Ratio Change (%)
Interest income, net	2,029,509	1,810,456	219,053	12.10
Revenue other than interest income, net	2,134,405	1,736,249	398,156	22.93
Net income	4,163,914	3,546,705	617,209	17.40
Provisions	134,508	660,965	(526,457)	(79.65)
Operating expenses	(792,612)	(777,757)	(14,855)	1.91
Income before Income Tax from Operating Unit	3,505,810	3,429,913	75,897	2.21
Income tax (expense) gain	(495,374)	(426,907)	(68,467)	16.04
Net Income	3,010,436	3,003,006	7,430	0.25
Other comprehensive income (net of tax expense)	385,439	(230,955)	616,394	(266.89)
Comprehensive Income for the current period	3,395,875	2,772,051	623,824	22.50

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

1. Figures for 2014, the year for comparison, were prepared based on the 2013 version of IFRS.
2. Increase in non-interest net revenue was mainly due to gain on disposal of bills, bonds, and equity positions.
3. Decrease in provision reversals was mainly due to lesser reversal of guarantee liabilities.
4. Increase in other comprehensive income was mainly attributable to increase in unrealized gains on available-for-sale financial assets.

Three. Cash flow

I. Liquidity analysis for the last two years

Item \ Year	2015	2014	Increase/ Decrease (%)
Cash flow ratio (%)	3.57	3.89	(8.23)
Cash flow adequacy ratio (%)	182.30	154.37	18.09
Explanation of analysis of changes: None (Ratio change over 20%)			

II. Liquidity analysis for the next one year

Unit: NT$ thousands

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
321,356	1,627,681	13,411,031	(11,461,994)	-	11,735,000

1. Current cash flow analysis:
   (1) Operating activities: net cash inflow from operating activities is expected due to the decrease in bills holding position.
   (2) Investing activities: no major increase in investment is 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: cash deficits are expected to be offset 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 The 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 2015, the Company received cash dividends totaling NT$12.141 million from invested businesses, and stock dividends totaling 52,678 shares from the Taiwan

Depository and Clearing Corporation and 37,135 shares from the 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 mechanism 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 BIS ratio.

II. Qualitative and quantitative information about various risks:

(I) Credit risk management system and capital requirement

1. Credit risk management system

2015

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.”
(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, Bonds 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 Department 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

Aspects	Contents
	risk.
(5) Approach to require the authorized capital	Standard Method

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

March 31, 2016 Unit: NT$ thousands

Exposure type	Capital requirement	Risk-weighted assets
Sovereign state	0	0
Non-central government public sectors	5,027	62,841
Bank (including multilateral development banks)	141,268	1,765,847
Corporate (including securities and insurance company)	11,963,809	149,547,612
Retail creditor’s right	51,741	646,763
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	0
Other assets	251,319	3,141,488
Total	12,477,868	155,973,351

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

1. Risk management system of asset securitization

2015

Aspects	Contents
(1) Asset securitization management strategy and procedure	(1) In order to manage the trading 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 trading); 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.
(3) Scope and characteristics of asset securitization risk	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

Aspects	Contents
reporting and the measurement system	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 Trading

March 31, 2016 Unit: NT$ thousands

<table>
<tr><td colspan="2" rowspan="3">Type of Exposure
Company/Book
Role</td><td rowspan="3">Category of asset</td><td colspan="2">Traditional</td><td colspan="2">Portfolio</td><td colspan="3">Total</td></tr>
<tr><td>Exposure</td><td rowspan="2">Capital Requirement
(2)</td><td>Exposure</td><td rowspan="2">Capital Requirement
(4)</td><td rowspan="2">Exposure
(5)=(1)+(3)</td><td rowspan="2">Capital Requirement
(6)=(2)+(4)</td><td rowspan="2">Capital Requirement Before Asset Securitization</td></tr>
<tr><td>Retention or Buy-in
(1)</td><td>Retention or Buy-in
(3)</td></tr>
<tr><td rowspan="5">Non-founding institution</td><td rowspan="2">Bank book</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td rowspan="5"></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">Trading book</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Creditor’s right to lease</td><td>516,302</td><td>41,304</td><td></td><td></td><td>516,302</td><td>41,304</td></tr>
<tr><td>Subtotal</td><td></td><td>516,302</td><td>41,304</td><td></td><td></td><td>516,302</td><td>41,304</td></tr>
<tr><td rowspan="5">Founding institution</td><td rowspan="2">Bank book</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">Trading book</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Subtotal</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td></td><td></td><td>516,302</td><td>41,304</td><td></td><td></td><td>516,302</td><td>41,304</td><td></td></tr>
</table>

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

(1) Be an assets securitization founding institution: None

(2) Securitized instruments information:

①Summary of investment in securitized instruments

March 31, 2016 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 2014 Securitized Senior Special Purpose Beneficiary Security Tranche A.	Available-for-sale financial assets	500,000	16,302(valued at market price using corporate bonds 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	516,302

②I. 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, 2016 Unit: NT$ thousands

Securities	Accounting category	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 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	16,302 (valued at market price using corporate bonds 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	516,302	21.87%	Chailease Finance's entitlement over customers' leases, instalments, and resale agreements

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

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

③ Bills Finance Company serves 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

2015

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.
(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

Item	Contents
	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, transfer and 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, 2016 Unit: NT$ thousands

Year	Gross Profit	Capital Requirement	Risk Assets Amount
2015	4,143,037		
2014	3,531,959		
2013	3,597,395		
Total	11,272,391	563,620	7,045,250

(IV) Market risk management system and capital requirement

1. Market risk management system

2015

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 trading 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, Bonds Department, and all branches are the main operational units for market risk control.
(3) Scope and characteristics of market risk reporting	The business management units of the Head Office shall submit the report on the economic situation and interest rate

Item	Contents
and the measurement system	analysis, operation of bills, bonds, equities, and derivatives position, capital cost and deployment, and hedging strategies and implementation to Risk Management Committee on a 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 trading 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 trading 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, 2016 Unit: NT$ thousands

Type	Capital Requirement	Risk Assets Amount
Interest rate risk	6,172,429	77,155,363
Equity security risk	182,844	2,285,550
Foreign exchange risk	42,629	532,862
Product risk	0	0
Stock option processed with simplified method	0	0
Total	6,397,902	79,973,775

(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, 2016 Unit: NT$ millions

	Total	Amount of remaining period to maturity date				
		0 – 30 Days	31 – 90 Days	91 – 180 Days	181 Days – 1 Year	Over 1 Year
Assets	235,174	51,194	50,011	8,355	8,846	116,768
Liabilities	237,235	169,460	29,675	1,775	208	36,117
Deficit	-2,601	-118,266	20,336	6,580	8,638	80,651
Accumulated deficit		-118,266	-97,930	-91,350	-82,712	-2,061

III. The impact of domestic and foreign policies and changes in law on the Company's finance and business and the countermeasures:

(I) Financial impacts in the event of changes in local and foreign regulations

1. In order to support the government's Financial Innovation Import policy and satisfy the needs of local proprietary bonds traders, the TDCC (Taiwan Depository & Clearing Corporation) began new service in July 1, 2015 to hold custody and make book-entry trading for foreign bonds held by securities firms. This new service supports Bills Finance Companies in repurchase trading of foreign currency-denominated bonds within Taiwan.
2. On July 16, 2015, the FSC made an amendment to "Regulations Governing Foreign Currency Bonds Brokerage, Proprietary Trading, and Investment by Bills Finance Companies" that gave Bills Finance Companies more room to operate. Before the amendment, holdings of foreign currency assets other than short-term bills were capped at 30% of net worth; after the amendment, holdings of foreign currency securities and holdings of other foreign currency assets were separately capped at 30% of net worth. Foreign currency securities mentioned above refer to the balance of foreign currency bills and bonds plus resale agreements and less repurchase agreements. Overall, this amendment allows Bills Finance Companies to expand business involvements in foreign bonds.
3. On July 20, 2015, Taipei Exchange (TPEx) amended its "Rules Governing the Proprietary Trading of Foreign Bonds by Securities Firms" to allow securities firms trading (including outright purchases/sales and repurchase agreements) non-structured, registered foreign bonds rated BB and above with sophisticated investors, in addition to qualified institutional investors. Following TPEx's interpretations No.Securities - GTSM - Bonds - 10400318062 and Securities - GTSM - Bonds - 10400305342 dated November 16, 2015, general investors are now permitted to invest in NTD-denominated corporate bonds and bank debentures repurchase agreement listed on the Professional board, and bonds repurchase agreement listed on the Foreign board. Meanwhile, supporting financial institutions such as credit cooperative associations and Chunghwa Post have been recognized as qualified institutional investors. These changes have broadened the subjects with which Bills Finance Companies may trade foreign currency-denominated bonds.

(II) The Company’s countermeasures

1. Maintain contact and explore borrowers with substantial foreign currency capital in various branches. Engage them in foreign currency repo trading to build up stable and low-cost source of capital from the private sector.
2. Expand holding position in foreign currency bonds in response to changes in U.S. bonds yields; diversify country risks and maintain high interest spread for greater earnings.

IV. The impact of technology changes and industry changes on the Company’s finance and business and its countermeasures

(I) The impact of technology changes and industry changes on the Company’s finance and business

1. The trading and risk control of financial engineering and its system are becoming increasingly sophisticated, thus bring advantage to Bills Finance Company’s financial and business operation.
2. The competent authorities open up new businesses (foreign bills and bonds, and treasury bills) that help diverse business operations and increase operating spaces, thus bring advantage to expand the scale of operations. However, uncertainties remain with regards to the prospects of the world’s major economies, which may complicate trading decisions.

(II) The Company’s countermeasures

1. Outsource systems and develop systems in-house to support trading and risk control.
2. Actively explore new services for higher income. In the meantime, the Company will pay attention to changes in the economic and financial environment, and take actions to minimize risks and negative impacts.

V. Impact due to change of the Company’s corporate image, and countermeasures: None.

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

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

VIII. Risk of business concentration and countermeasures

The Company holds relatively high position of interest rate-sensitive assets due to the nature of its business, and hence is prone to interest rate volatility. To address this situation, the Company has implemented risk management targets for bills and bonds related activities based on the overall economy and growth requirements. Enhanced measures are being taken to control risk exposure and duration, and hence avoid adverse changes in market risks. In terms of credit/guarantee services, the Company is prone to the concentration risk of guaranteed parties, which it aims to address by following the group's "Regulation on Credit Control for Single Group of Borrowers." Borrowers' credit balances are being controlled based on credit conduct, industry prospect, business performance, financial position, debt levels and credit rating on both individual and group levels.

IX. Impact on Bills Finance Company due to changes in management right, related risk, and 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. Litigations or non-litigation events: 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 macro economy, 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.

Seven. 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, the Company set up 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 set up and the Company’s disaster prevention and rescue system are established to help minimize the impact and damage on business operation, office equipment, document archives, and employee safety.

Eight. Other important issues: None.

Special Recorded Items

One. Affiliated enterprises

I. Consolidated business report of affiliated enterprises: None.

II. Consolidated financial statements of affiliated enterprises: None.

III. Affiliation report

(I) Declaration of MEGA BILLS FINANCE CO., LTD.

Declaration

The Company has the Affiliation Report of 2015 (January 1 – December 31, 2015) composed in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises." 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 22, 2016

(II) Independent Auditor's Report

MEGA BILLS FINANCE CO., LTD.

Affiliation Report - Independent Auditor's Report

Tze-Huei-Tsung-Tze No. 15008503

To MEGA BILLS FINANCE CO., LTD.

Mega Bills Finance Co., Ltd. states that the Relations Report of 2014 dated March 22, 2016 was composed in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises." 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 2015 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" without any significant discrepancies found.

PricewaterhouseCoopers, Certified Public Accountants

Chien-Hung Chou, CPA

March 22, 2016

(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 Lee
					Supervisor	Dan-Hun Lu
					Supervisor	Ching-Lung Hung
					Supervisor	Jin-Cun Chen

(IV) Trading

1. Purchase (sales) transaction: None.
2. Property trading: None.
3. Financing trading: None.
4. Assets leasing: None.
5. Other important trading:
   Bills and bonds trading

Unit: NT$ thousands

Trading conducted with parent company		Trading terms and conditions with parent company	Remarks
Item	Amount		
Purchase of bills and bonds	26,487,445	Terms of trading is the same as non-related party's trading terms	None
Total RS & RP Balances of repo trading with related parties	7,880,508	Terms of trading is the same as non-related party's trading terms	Interest expense: $2,837,000
Outstanding balance of repurchase/resale agreements	-		
The highest balance of guarantee-free commercial paper issued.	4,000,000	Terms of trading is the same as non-related party's trading terms	Fee income: $964,000
The ending balance of guarantee-free commercial paper issued.	3,000,000		

(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

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