



Mega Holdings

Stock Code: 5842

Website:

Market Observation Post System

<http://mops.tse.com.tw/>

Mega Bills Web Site:

<http://www.megabills.com.tw>



MEGA BILLS FINANCE CO., LTD.

Annual Report

2022

■ Spokesman and Deputy Spokesman for the Corporation

Spokesman: Chin-Sheng Huang
Job title: Senior Executive Vice President
Tel. No.: (02)2371-6262
Email: sheng@megabills.com.tw
Deputy spokesman: Chi-Ming Hsu
Job title: General Manager, Treasury Dept.
Tel. No.: (02)2382-2933
Email: chimings@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: Yuanta Securities Co., Ltd.
Address: B1F., No.210, Sec. 3, Chengde Rd., Taipei
Website: <http://www.yuanta.com.tw/>
Tel. No.: (02)2586-3117

■ Credit Rating Organization

Name: Taiwan Ratings Co., Ltd.
Address: 2F., No. 167, Dunhua N. Rd., Songshan Dist., Taipei City
Website: <http://www.taiwanratings.com/tw/>
Tel. No.: (02)2175-6800

■ CPA Certifying Financial Statements of Most Recent Year

Name: Po-Ju Kuo, CPA Zong-Xi Lai, 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

Message to Shareholders

Given the conflict between Russia and Ukraine, China's zero-COVID policy, Europe's energy problem, and increasing inflationary pressures in 2022, the central banks of several countries consecutively implemented a strong restrictive monetary policy, and stock and bonds prices fell globally. The International Monetary Fund (IMF) forecasted 3.4% global growth, 2.7% for advanced economies, and 3.9% for developing economies in its January 2023 World Economic Outlook.

In the second half of 2022, negative forces such as inflation have been gradually alleviated. However, the global economy slowed and downside concerns loomed. According to the IMF, global economic growth will slow to 2.9% in 2023. The impact of raise rates on the economy would cause the advanced economies' growth rate to fall by 1.2%. As economic activities resume in emerging markets, the growth rate is predicted to recover to 4.0%. In the future, it will be vital to continue to monitor changes in inflation and the impact of raise rates on businesses.

Domestically, as a result of the global sluggish economic growth, end-consumer demand continues to weaken, product prices continue to fall, manufacturers must deal with de-stocking pressure, foreign trade momentum declines, and economic prospects remain uncertain, investment and corporate capital expenditures are being used more cautiously this year. Furthermore, due to the high base last year, the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, has revised Taiwan's economic growth rate lower till 2.12% in 2023, the lowest level since 2019.

The National Development Council issued "Taiwan's Pathway to Net-Zero Emissions in 2050," and the Financial Supervisory Commission issued "Green Finance Action Plan 3.0," both of which aim to improve the role of financial institutions through collaboration between the public and private sectors in promoting Taiwan's transition to a low-carbon or zero-carbon economy. The Company will continue to care about ESG concerns, create an ESG risk assessment system, include ESG indicators in investment and financing

decision-making processes, practice sustainable finance proactively, and help customers to care about sustainable value. The Company will continue supporting and helping enterprises involved in all aspects of the environment, society, and corporate governance (ESG) in the future.

Despite the difficulty in the bills and bonds business and the fierce competition in the finance industry, the Company's profit still attained the budget target in 2022. The net profit after tax was NT\$3,040,283 thousand with a budget achieving rate of 100.01%. The following is a report of the Company's business performance in the previous year (2022):

One. Business Report 2022

I. Global and Local Financial Environment, 2022

The COVID-19 epidemic in 2022 resulted in a workforce shortage, resulting in a supply chain problem. Furthermore, extreme weather has led food prices to soar. Inflation was putting a strain on the world. Among other things, the United States implemented a large-scale fiscal stimulus policy, causing demand for goods and services to rise and inflation to reach an all-time high. In May, the consumer price index (CPI) climbed by 8.6% YoY, a record high in the last four decades. To address hyperinflation, the Fed lifted interest rates by 4.25% overall this year, raising the target range of interest rates on Fed funds from 0.00%~0.25% at the start of the year to the current 4.25%~4.50%. Major advanced economies have likewise implemented a tight monetary policy to support rate hikes. As a result, the world entered an upward rate cycle, causing market interest rates to keep rising.

Domestically, as a result of weak global economic growth and demand, numerous industries' production momentum slowed, and export sales decreased dramatically. Taiwan's economic growth rate in 2022 was 2.43%, according to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan (DGBAS) estimate in January 2023, the lowest in the past six years.

In terms of domestic CPI, the DGBAS announced in January 2023 that the CPI rate was 2.95% YoY and the growth rate of the core CPI (excluding food and energy) was 2.60% YoY in 2022, the new high in the past 14 years. Generally, international raw materials and supplies soared this year due to the Russia-Ukraine War at the beginning of the year. With the increasing import cost, gasoline and food cost rose significantly. The inflationary pressures were mitigated in August.

Concerning the domestic monetary policy, the Central Bank considered that the international commodity price kept increasing, domestic import inflationary pressure was getting high, and the global economy became sluggish, increasing the downside risk. To curb domestic expectations toward inflation and maintain the stability of CPI,

the Board of Directors and the Board of Supervisors resolved in Q1 to escalate the interest rate by 0.25% on March 17, 2022. They decided in Q2~Q4 to escalate the interest rate by 0.125%. The discount rate, the rate on the refinancing of secured loans, and the rate on temporary accommodations were adjusted upward from 1.125%, 1.5%, and 3.375% to 1.75%, 2.125%, and 4% throughout the year.

II. Organizational changes: None.

III. Results of Implementation of Business Plan and Strategy

Unit: NT\$ million

Item	Final Accounting Figure, 2022	Final Accounting Figure, 2021	Increase/Decrease (%)
Underwriting and Purchasing Bills	3,565,920	2,983,432	19.52
Commercial Papers Underwritten	3,413,513	2,778,195	22.87
Trading volume of bills	10,776,794	8,842,570	21.87
Trading Volume of Bonds	3,242,713	3,308,624	-1.99
Average Balance of Guaranteed Commercial Paper	175,776	179,311	-1.97
Overdue Credit Amounts	12	0	-
Overdue Loan Ratio (%)	0.01	0	0.01

IV. Budget Implementation

Unit: NT\$ million

Item	Final Accounting Figure, 2022	Budget Figure, 2022	Achievement Rate (%)
Underwriting and purchasing bills	3,565,920	2,833,890	125.83
Commercial Papers Underwritten	3,413,513	2,632,900	129.65
Trading volume of bills	10,776,794	8,168,595	131.93
Trading volume of bonds	3,242,713	2,934,269	110.51
RP outstanding balance of bills and bonds	197,969	192,794	102.68
Average Balance of Guaranteed Commercial Paper	175,776	180,000	97.65
Overdue Credit Amounts	12	0	-
Overdue loan ratio (%)	0.01	0	-
Net Profit After Tax	3,040	3,040	100.00

Financial Income and Expenditures, and Analysis of Profitability

Unit: NT\$ million

Item	Final Accounting Figure, 2022	Item	Final Accounting Figure, 2022
Net income	4,227	EPS (NT\$)	2.32
Income Before Tax	3,702	ROA (%)	1.22
Net profit after tax	3,040	ROE (%)	7.98

V. Research and Development

(I) Business Management

1. The departmental performance evaluation system was amended to accommodate business development strategies.
2. Continuously implemented the paperless meeting system, paperless report management system, electronic document system, leave application system, and accelerated the digitization process of the Company.
3. Continue to optimize the system for self-preparation of financial reports, improve the review procedure, and optimize the production process of draft financial statements to accelerate the production of financial statements.
4. Establish an ESG risk assessment for investment and financing business, and guide customers to care about sustainable value.

(II) Product and Business

1. In response to Taiwan Depository & Clearing Corporation (TDCC) and Taiwan Securities Association, establish the electronic system for transaction orders with general investors in the secondary market of bills and bonds to provide customers with high-performance and low-cost delivery services.
2. Establish the U.S. Treasury Bonds futures trading system to cope with the significant volatility of bonds yields and increase the diversity of bonds transactions.

(III) Risk Management

1. Enhanced execution and transaction monitoring of the Company's anti-money laundering and combating the financing of terrorism efforts.
2. Continuously enhanced the self-assessment system of operational risks and strengthened risk management regarding various business risk categories.

Two. Summary of Business Plan 2022

I. Operational Policy

- (I) Improve organization performance and maintain industry leadership.
- (II) Enhance risk management practices and secure asset quality.
- (III) Enforce compliance culture and achieve balanced business growth.
- (IV) Strengthen the internal control system and implement sound corporate governance.
- (V) Pay attention to the issues of sustainable development and fulfill the social responsibilities.

II. Projection of Business Goals

Unit: NT\$ million

Item	2023 Budget Figure
Underwriting and purchasing bills	3,182,182
Commercial Papers Underwritten	3,096,927
Trading volume of bills	10,070,174
Trading volume of bonds	2,775,691
RP outstanding balance of bills and bonds	204,570
Average Balance of Guaranteed Commercial Paper	166,000

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

III. Major Business Policies

- (I) Monitor credit customers' business performance and financial positions; gain insight into customers' industry outlook and funding capability for more robust credit decisions.
- (II) Adjust the structure of borrowers and develop customer sources other than the real estate industry; take the initiative to source NCDs above a certain spread, underwrite guaranteed and guarantee-waiver bills, and lead-arrange or participate in syndicated loan or underwriting projects to expand the source of bills and increase bill revenues.

- (III) Monitor the Central Bank's monetary policy and movements of the financial market to enable flexible adjustment of primary and secondary terms and deal rates; manage the timing of OP/OS of bills position, to expand the issuance of bills and interest spread; develop low-rate and stable sources of capital for bonds, denominated in NTD and foreign currency in a diversified manner, improve the bonds yield interest spread and maintain leadership in the market.
- (IV) Manage duration of NTD and foreign currency bonds for risk avoidance and gains; allocate capital for greater efficiency and enhance risk management practices and systems.
- (V) Build position of shares that offer good credibility and yield to replace corporate bonds of relatively low interest; search for quality CB and CBAS while at the same time increasing the equity trading positions considering that TAIEX has made correction.
- (VI) Promote responsible lending and investment in line with the implementation plan of the group's sustainable finance policy to fulfill the institutional investor's stewardship.
- (VII) Continue to optimize AML/CFT information systems, improve the effectiveness of customer name screening and case management efficiency, and organize AML compliance testing and risk-based education and training.
- (VIII) Continue enhancing the efficiency of the information system and internal operation; establish the report management and accounting standard operating platform; improve the operating efficiency; adopt enhanced information security protection measures and training as means to reduce security threats.
- (IX) Promote the use of the paperless conference system, paperless report management system, electronic document system, and leave application system to conserve the Earth's resources and thereby contribute to the Company's corporate social responsibilities.

IV. Future Development Strategies

- (I) Strengthen the position as a market leader of the bills and bonds business.
- (II) Adjust borrower structure and maintain appropriate size and margin on bills guarantee service.
- (III) Prioritize the assessment of corporate ESG practices and raise the proportion of responsible lending and responsible investment step by step.
- (IV) Continue building a bonds position in response to interest rate changes, and maintain the appropriate size of repurchase agreements to secure profitability.
- (V) Continue exploring customers in the secondary market; strive to lower funding cost for improvements in terms of trading spread and operating performance.
- (VI) Plan and seek the authority's approval for new business and additional counterparties, thereby expanding the scope of service and source of capital.
- (VII) To integrate the group resources and explore the synergy of cross-selling.
- (VIII) Improve system efficiency and enhance information security practices.
- (IX) Continue the talent development and cultivation planning and optimize the online learning platform system to improve the learning functions and results.
- (X) Reasonable allocation of capital; improve capital efficiency; strengthen existing risk management and systems.

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

- (I) There is an increasing variety of capital channels in the financial market today. Meanwhile, banks compete in the underwriting of guarantee-waiver CPs in the primary market. All of these have the potential to undermine the business expansion efforts of bills finance companies.
- (II) Domestic and foreign economic growth is becoming sluggish. Geopolitical risks and inflationary pressures remain. Major economies continue to adopt tight monetary policy. The market is still full of multiple uncertain factors, and the credit risk stays relatively high. Meanwhile, the secondary market interest rate reflects the increasing expectations toward lift rate. However, due to the impact posed by the price competition, the primary market interest rate cannot

be reflected immediately at the stage of lift rate, and the bill's interest spread is limited accordingly.

- (III) In 2023, Fed will slow down the pace of lift rate. However, the term of the terminal interest rate varies depending on the development of economic data. It is expected that market yield volatility will intensify, thus increasing the difficulty of managing bonds trading. Meanwhile, the cost of capital is likely to increase, thereby eroding the bonds yield income.

Three. Most Recent Credit Rating and Date of Rating

Credit Rating Organization	Long-Term Credit Rating	Short-Term Credit Rating	Rating Outlook	Date of Announcement
Taiwan Ratings	twAA+	twA-1+	Stable	2022.9.28

Four.Appreciation and Prospect

In the past year, challenged by the multiple downside risks, including the pending Russia-Ukraine War, the sluggish economic growth rate in China, the recurrence of the technological dispute between the USA and China, and the increasing impact posed by climate change, all of the major economies have adopted tight monetary policies as responsive measures. The pressure from international inflation and the lift rate persisted, and the market interest rate fluctuated sharply. As a result, the Company needed to deal with the rigid operating environment in which the capital cost of bonds operations was increasing and the bonds yield interest spread declined significantly. Notwithstanding, given all colleagues' hard work and the guidance and assistance provided by the directors, supervisors, and parent holding company, our business earnings achieved the annual goals and kept us in a leading position in the bills finance industry.

Given the sluggish global economic growth rate and increasing uncertainty in the market outlook and the external environment challenges intensify in the coming year, the Company and its employees will continue to respond to changes with "integrity, stability, innovation, growth, service efficiency, and sustainability" in mind, value compliance, internal control, and risk management, and continue to improve information security. In the future, the Company will be committed to improving corporate governance, caring for ESG issues, including the environment and society, fulfilling corporate social responsibility, and rewarding shareholders of the financial group with better performance.

Best wishes for all of you

Health and Happiness,

Chairperson of the Board

Mei-Chu Liao

President

Yao-Kuang Tsai

Profile of the Corporation

One.Founded: May 3, 1976

Two. Company History

- I. May 20, 1976, started business, with a 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\$2.8795 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\$28.11441 billion later in May.
- V. June 12, 2002, a resolution was passed during the Regular Meeting of Shareholders to have the Company merged with Bank of communications’ Financial Holding Company through a shares exchange arrangement. The exchange of shares took place on August 22 later in that year.
- VI. December 31, 2002, Bank of communications’ Financial Holding Company, the parent company, was renamed Mega Financial Holding Co., Ltd.
- VII. September 1, 2004, share capital was reduced by \$3 billion to NT\$25.11441 billion.
- VIII. May 3, 2005, share capital was reduced by \$5 billion to NT\$20.11441 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 an alignment with other subsidiaries of Mega Financial Holding Co., Ltd.
- XI. July 2, 2007, share capital was reduced by \$5 billion to NT\$15.11441 billion.
- XII. August 3, 2009, share capital was reduced by \$2 billion to NT\$13.11441 billion.
- XIII. November 1, 2012, the Company received the “1st Place of Best Bills Finance Award in the 6th Taiwan Banking and Finance Best Practice Awards.”
- XIV. October 31, 2014, the Company received the “1st Place of the Best Bills Finance Award in the 7th Taiwan Banking and Finance Best Practice Awards.”
- XV. December 22, 2014, the Company was awarded the 2014 “Credit Information Security Control Award” by the Joint Credit Information Center.
- XVI. December 25, 2015, the Company was awarded the 2015 “Credit Information Security Control Award” by the Joint Credit Information Center.

XVII. November 1, 2016, the Company received the “Excellence Best Bills Finance Award in the 8th Taiwan Banking and Finance Best Practice Awards.”

XVIII. December 26, 2018, the Company was awarded the 2018 “Credit Information Security Control Award” by the Joint Credit Information Center.

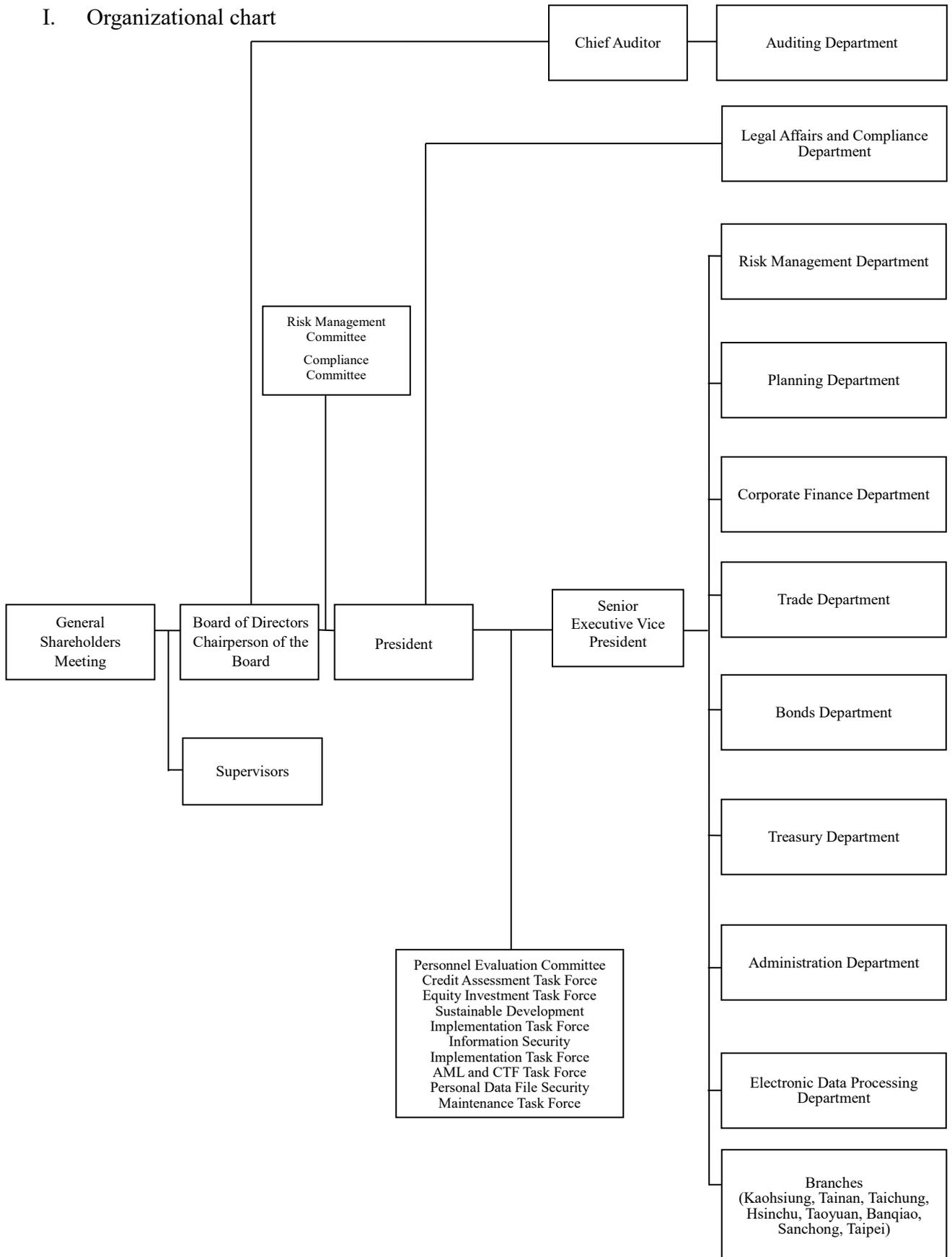
XIX. November 4, 2020, the Company received the “Excellence Best Bills Finance Award in the 10th Taiwan Banking and Finance Best Practice Awards.”

XX. November 1, 2022, the Company received the “1st Place of the Best Bills Finance Award in the 11th Taiwan Banking and Finance Best Practice Awards.”

Corporate Governance Report

One. Organization and department responsibilities

I. Organizational chart



II. Department responsibilities

- Auditing Department: Planning and execution of audit tasks; auditing of financial and business operations, AML/CTF practices, internal control and compliance for each department; supervision and review of self audits performed by departments; acceptance and investigation of whistle-blowing cases.
- Legal Affairs and Compliance Department: Planning and management of internal control and compliance systems; planning, supervision and monitoring of AML/CTF policies and procedures; resolution and handling of legal affairs and overdue credit cases.
- Risk Management Department: Planning and management of credit assessment service; review of credit cases; establishment and amendment of risk management policies, summarization of risk management targets and review of execution effectiveness; planning and monitoring of the capital adequacy ratio.
- Planning Department: Development of management strategies and follow-up review of the implementation; planning and management of sustainable operation matters; planning and management of digital transformation matters; summarization of department annual performance assessment outcomes; management of business investments; coordination for credit rating-related matters.
- Corporate Finance Department: Planning and management of credit investigation and loaning business; credit investigation, loaning business and underwriting commercial paper guarantee of the headquarters.
- Trade Department: Underwriting, brokerage and proprietary trading of bills; business operation and management of repo trade in proprietary trading of NTD bonds and fixed income securities; allocation of NTD funds and control of liquidity gap.
- Bonds Department: Business operation and management of bonds, fixed income securities, equity products, and derivatives; outright purchases/sales in brokerage, proprietary trading and investment of bonds and fixed income securities; repo trade in foreign currency bonds; allocation of foreign currency funds and control of liquidity gap; investment in equity products.
- Treasury Department: Planning and management of the accounting system, financial and accounting business and tax matters; preparation and compilation of annual budgets and year-end accounts; review of expenses and receipts and handling of accounts; allocation of funds to and from bank accounts; application and renewal of overdraft/interbank limits; settlement and delivery of various transactions and custody.

- Administration Department: Planning and implementing personnel business and human resource development; general affairs, procurement operations, occupational safety operations, and property management matters; handling of Company registration and stock affairs; matters related to corporate governance.
- Electronic Data Processing Department: Planning and execution of IT policy; investigation, analysis and design of application systems; implementation, management and maintenance of information systems; planning, monitoring, and execution of information security management.
- Branches: Carry out business activities and matters outlined in the business license; execute instructions from the Head Office.

Two. Background Information of Directors, Supervisors, the President, Senior Executive Vice President, Executive Vice President, Executives of each Department and Branch Offices and Consultants

I. Directors and Supervisors

(I) Information about directors and supervisors (1)

December 31, 2022

Job Title	Country or place of registration	Name	Gender Age	Date of Election (Appointment)	Term of Office	Date of First Election	Shares held at the time of appointment		Number of shares currently held		Number of shares currently held by spouse and minor children		Shares held by proxy		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			Remarks
							Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Education	Experience		Job Title	Name	Relationship	
Chairperson of the Board	Republic of China	Mei-Chu Liao	Female 61-70	2021.6.23	2024.6.22	2018.03.01									Department of Banking, National Chengchi University.	Senior Executive Vice President, First Financial Holding; Chief Secretary of the Board of Directors, First Financial Holding and First Commercial Bank; Chairperson of the Board, First Securities; Director, FCB Leasing; Director, First Commercial Bank (USA); Supervisor, First Life Insurance; Supervisor, Financial Information Service; Director, First Consulting and First Venture Capital; Director, First Securities Investment Trust.	Chairperson of the Board, Mega Bills Finance; Director General, R.O.C. Bills Finance Association; Supervisor, The Bankers Association of the R.O.C.; Director, Taiwan Depository & Clearing Corporation; Director, Taiwan Academy of Banking and Finance; Director, Taiwan Financial Services Roundtable; Director, Mega Charity Foundation.				
Director and President	Republic of China	Yao-Kuang Tsai	Male 61-70	2021.6.23	2024.6.22	2020.07.02									Department of Banking, Tamkang University.	Mega Bills Finance- Chief Auditor; Executive Vice President, Risk Management Department; Executive Vice President, Kaohsiung Branch; Executive Vice President, Credit Department.	Director and President, Mega Bills Finance; Director, R.O.C. Bills Finance Association.				
Independent Director	Republic of China	Yih-Ray Hwang	Male 51-60	2021.6.23	2024.6.22	2016.10.26									MBA, University of Massachusetts; Master of Law, National Chengchi University.	Licensed CPA, Solomon & Co., CPAs; Director General, Kaohsiung CPA Association; Standing Director, The National Federation of CPA Associations of the R.O.C.; Director, Neoflex Technology; Supervisor, Huaku Development; Supervisor, i-Kiddo.	Director General, Solomon & Co., CPAs; Chairperson, The National Federation of CPA Associations of the R.O.C.; Director, Huaku Development; Director, Ma Kuang Healthcare Holding; Chairperson, Weidu Investment; Supervisor, Ma Kuang International Development; Director, E-Family Corp.; Supervisor, PChome Online; Director, Qifang; Independent Director; Mega Securities; Director, Weicheng Industrial.			None	
Independent Director	Republic of China	Jean-Yue Chen	Male 51-60	2021.6.23	2024.6.22	2018.03.01									Master of National Development, National Taiwan University.	Lecturer of Law, Soochow University; Partner, Shuang Bang Law Office; Lawyer, Lexcel Partners Attorneys at Law; Director, 02+LIFE CO., LTD.	Person-in-Charge, Jean-Yue Chen Law Offices; Supervisor, Fortune Space Digital Convergence; Independent Director, Bryton; Supervisor, 02+Life.				
Director	Republic of China	Jui-Yun Lin	Female 61-70	2021.6.23	2024.6.22	2006.04.06									Master of Public Finance, National Chengchi University.	Executive Vice President of Financial Control Department, Mega holdings; Chairperson of the Board, Chung Kuo Insurance; Chairperson of the Board, Nuclear Energy Insurance Pool of the Republic of China; Executive Director/residential supervisor, Taiwan Business Bank; Director, Taipei Financial Center Corporation; Managing Director, Non-Life Insurance Association of the R.O.C.; Director, Next Commercial Bank.	Senior Executive Vice President, Corporate Governance Officer and Chief Information Security Officer, Mega holdings; Chairperson of the Board and President, Mega Growth Venture Capital; Chairperson of Labor Retirement Reserve Supervision Committee, Mega holdings; Supervisor, Chung Kuo Insurance; Director, Mega Charity Foundation.				

(Note 1)

Job Title	Country or place of registration	Name	Gender Age	Date of Election (Appointment)	Term of Office	Date of First Election	Shares held at the time of appointment		Number of shares currently held		Number of shares currently held by spouse and minor children		Shares held by proxy		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			Remarks
							Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Education	Experience		Job Title	Name	Relationship	
Director	Republic of China	Nian-Tzy Yeh (Note 2)	Male 61-70	2021.08.25	2024.6.22	2021.8.25									MBA, University of Dallas.	Mega International Commercial Bank-General Manager, Silicon Valley Branch; head, Anti - Money Laundering & Financial Crime Compliance Department; Executive Vice President and Deputy Senior Executive Vice President, General Administration Group.	Senior Executive Vice President, Mega International Commercial Bank; Director, EXCEL Chemical Corp; Director, Taiwan Urban Regeneration & Financial Services.				
Director	Republic of China	Ya-Ting Chang	Female 31-40	2021.6.23	2024.6.22	2018.03.01									Master of Accounting, University of Illinois Urbana-Champaign.	Deputy Manager of Audit Department, Deloitte Taiwan; Lecturer, Taiwan Academy of Banking and Finance; Deputy head and CFO of Grand Songshan Branch, Taiwan Junior Chamber; Honorary Membership of The Phi Tau Phi Scholastic Honor Society of the Republic of China; Director, Surplus Assets Management.	Partner, Elite & Co., CPAs; Director (Person-in-Charge), Elite Management Consultant; Chairperson, Surplus Asset Management.				
Director	Republic of China	Yu-Mei Hsiao	Female 51-60	2021.6.23	2024.6.22	2018.03.28									Master of Finance, University of Illinois Urbana-Champaign.	Chief Secretary of the Board of Directors, Mega holdings and Mega International Commercial Bank; First Commercial Bank - General Manager, Brisbane Branch; General Manager, Gongguan Branch; Director, Hotung International; Director, Hotung Investment Holdings; Director, Taiwan Financial Asset Services.	Senior Executive Vice President, Mega holdings and Mega International Commercial Bank; Director, Mega Asset Management Corp; Chairperson of the Board, Mega International Commercial Bank Public Company Limited; Director, China Real Estate Management.				
Supervisor	Republic of China	Yung-Chen Huang	Female 51-60	2021.6.23	2024.6.22	2018.12.19									Master of Economics, New York University.	Mega International Commercial Bank-Chief Auditor; Executive Vice President, International Business Group; General Manager, Yilan Branch; General Manager, Daan Branch; General Manager, Sanchong Branch; Deputy General Manager, Head Office Branch.	Senior Executive Vice President, Mega International Commercial Bank.				
Supervisor	Republic of China	Chi- Ho Chen	Male 61-70	2021.6.23	2024.6.22	2018.03.01									Department of Banking, Chinese Culture University	Mega International Commercial Bank-Head, Debt Management Division; Deputy Head, Credit Management Division; Director, China Real Estate Management.					

Note:

- The Company has 1,311,441,084 outstanding shares and is a 100%-owned subsidiary of Mega Financial Holding Co., Ltd. Mega Financial Holding Co., Ltd. reappointed the Company's 16th Board of Directors and supervisors on 6.22.2021 to serve a term from 6.23.2021 until 6.22.2024. The names of the 16th Board of Directors (including independent directors) and supervisors are as follows: Chairperson of the Board Mei-Chu Liao, Director and President Yao-Kuang Tsai, Independent Director Yi-Rui Huang, Independent Director Jian-Yu Chen, Director Jui-Yun Lin, Director Rui-Yuan Fu, Director Ya-Ting Chang, Director Yu-Mei Hsiao, Supervisor Yung-Chen Huang, and Supervisor Qi-He Chen.
- Ruey-Yuan Fu, former director of the Company appointed by Mega Financial Holding Co. Ltd., resigned on 8.11.2021. Mr. Nian-Tzy Yeh was re-appointed by Mega Financial Holding Co. Ltd. to succeed the position on 8.25.2021.

(II) Major shareholders of corporate shareholders

Book Closure Date: December 31, 2022

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%
	The National Development Fund, Executive Yuan of the R.O.C.	6.11%
	Chunghwa Post Co., Ltd.	3.60%
	Cathay Life Insurance Co., Ltd.	2.53%
	Bank of Taiwan Co., Ltd.	2.46%
	Taiwan Life Insurance Co., Ltd.	2.26%
	New Labor Pension Fund	2.25%
	Citibank entrusted with the Singapore Government Investment Account	1.80%
	Pou Chen Corporation	1.40%
	Old Labor Pension Fund	1.38%

(III) Major Shareholders of Major Corporate Shareholders

Book Closure Date: December 31, 2022

Name of corporate entity	Major shareholders of Corporate entity (Note)	Shareholding
Ministry of Finance	Government	
The National Development Fund, Executive Yuan of the R.O.C.	Government	
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications R.O.C	100.00%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	100.00%
Bank of Taiwan Co., Ltd.	Taiwan Financial Holding Co., Ltd.	100.00%
Taiwan Life Insurance Co., Ltd.	Chinatrust Financial Holding Co., Ltd.	100.00%
Pou Chen Corporation	PC Brothers Corporation.	7.24%
	Quan Mao Investment Co., Ltd	5.55%
	Red Magnet Developments (BVI) Ltd.	4.60%
	Taishin International Bank in its Capacity as Trustee for Property Account	3.46%
	Fubon Life Insurance Co., Ltd.	2.48%
	CTBC Bank in its Capacity as Master Custodian for BeeVest Securities	1.86%
	Kai Tai Investment Co., Ltd.	1.82%
	JP Morgan Chase Bank in its Capacity as Master Custodian for Investment Account of the National Bank of Liechtenstein	1.71%
	Shu-Man Huang	1.45%
Chunghwa Post Co., Ltd.	1.41%	

Description: Top 10 shareholders

(IV) Information about directors and supervisors (2)

1. Disclosure of the information on the professional qualifications of the directors and supervisors and the independence of the independent directors

December 31, 2022

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
Chairperson of the Board Mei-Chu Liao	Bachelor, Department of Banking, National Chengchi University; Serving as the Company's Chairperson of the Board since March 2018; Currently the Director General, R.O.C. Bills Finance Association; Supervisor, The Bankers Association of the R.O.C.; Director, Taiwan Depository & Clearing Corporation; Director, Taiwan Academy of Banking and Finance; Director, Taiwan Financial Services Roundtable; Director, Mega Charity Foundation. Former Senior Executive Vice President, First Financial Holding; Chief Secretary of the Board of Directors, First Financial Holding and First Commercial Bank; Chairperson of the Board, First Securities; Director, FCB Leasing; Director, First Commercial Bank (USA); Supervisor, First Life Insurance; Supervisor, Financial Information Service; Director, First Consulting and First Venture Capital; Director, First Securities Investment Trust, with extensive practical experience in the financial industry, corporate governance, strategy management and leadership.	1. Serving as the Director of Mega Charity Foundation, the Company's related party, concurrently. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	0
Director and President Yao-Kuang Tsai	Bachelor, Department of Banking, Tamkang University; Serving as the Company's President since July 2020; Currently Director, R.O.C. Bills Finance Association. Former Mega Bills Finance-Chief Auditor; Executive Vice President, Risk Management Department; Executive Vice President, Kaohsiung Branch; Executive Vice President, Credit Department. Worked for Mega Bills Finance over 40 years with extensive practical experience in bills, familiar with the business of different department, also proficient in corporate governance, industrial development and perspicacity.	1. Identified as a manager, as he serves as the Company's President concurrently. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	0

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
Independent Director Yih-Ray Hwang	MBA, University of Massachusetts; Master of Laws, National Chengchi University; Qualified as a CPA and currently the Director General of Solomon & Co., CPAs; Chairperson, The National Federation of CPA Associations of the R.O.C.; Director, Huaku Development; Director, E-Family Corp.; Supervisor, PChome Online; Independent Director; Mega Securities, with the expertise in accounting, financing and corporate governance. Currently the Company's independent director who is serving the third term of the board of directors.	<p>The Company's independent directors meet the independence requirements referred to in Paragraph 1 of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." Please refer to the following:</p> <ol style="list-style-type: none"> 1. Does the principal, his/her spouse and relatives by blood within the second degree of kinship act as a director, supervisor or employee of the Company or any affiliated companies: None 2. The shares held by the principal, his/her spouse and relatives by blood within the second degree of kinship (or in the name of others) and the percentage of the shareholding: None. 3. Does the independent director act as a director, supervisor or employee for the company which has a special relationship with the Company (cf. the subparagraphs 5~8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): Acting as an independent director of Mega Securities concurrently in compliance with Paragraph 2 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies with respect to the independent directors appointed in accordance with the Securities and Exchange Act by, and concurrently serving as such at a subsidiary of the same parent. 4. The amount of the compensation received for the provision of any commerce, legal, financial, or accounting services to the Company or any affiliated companies in the most recent two years: None. 	1

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
Independent Director Jean-Yue Chen	Master of National Development, National Taiwan University; Qualified as an lawyer and currently the person in charge of Jean-Yue Chen Law Office; Supervisor, Fortune Space Digital Convergence; Independent Director, Bryton; Supervisor, 02+LIFE. Providing the opinions on legal compliance and management decision making in the Company's management. Currently the Company's independent director who is serving the second term of the board of directors.	The Company's independent directors meet the independence requirements referred to in Paragraph 1 of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." refer to the following: 1. Does the principal, his/her spouse and relatives by blood within the second degree of kinship act as a director, supervisor or employee of the Company or any affiliated companies: None. 2. The shares held by the principal, his/her spouse and relatives by blood within the second degree of kinship (or in the name of others) and the percentage of the shareholding: None. 3. Does the independent director act as a director, supervisor or employee for the Company which has a special relationship with the Company (cf. the subparagraphs 5~8, Paragraph 1 of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): None. 4. The amount of the compensation received for the provision of any commerce, legal, financial, or accounting services to the Company or any affiliated companies in the most recent two years: None.	1
Director Jui-Yun Lin	Master of Public Finance, National Chengchi University; Currently Senior Executive Vice President, Corporate Governance Officer and Chief Information Security Officer, Mega holdings; Chairperson of the Board and President, Mega Growth Venture Capital; Chairperson of Labor Retirement Reserve Supervision Committee, Mega holdings; Supervisor, Chung Kuo Insurance; Director, Mega Charity Foundation. Former Chairperson of the Board, Chung Kuo	1. Currently Vice President of the Company's parent company, Mega Holdings, and also Supervisor of the Company's affiliated company, Chung Kuo Insurance Company, Ltd.; Chairman and also President, Mega Growth Venture Capital Co., Ltd.; Chairman, Mega Charity Foundation. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the "Regulations Governing	0

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
	Insurance; Executive Director/residential supervisor, Taiwan Business Bank; Director, Next Commercial Bank. Acting as a director of the Company for many years and familiar with the operation of the Company and department.	Appointment of Independent Directors and Compliance Matters for Public Companies.”	
Director Ya-Ting Chang	Master of Accounting, University of Illinois Urbana-Champaign. Qualified as a CPA and Currently Partner of Elite & Co., CPAs; Director (Person-in-Charge), Elite Management Consultant; Chairperson, Surplus Asset Management. Former Deputy Manager of Audit Department, Deloitte Taiwan; with the expertise in accounting and financial analysis ability.	Meet the independence requirements referred to in Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	0
Director Yu-Mei Hsiao	Master of Finance, University of Illinois Urbana-Champaign; currently Senior Executive Vice President, Mega holdings and Mega International Commercial Bank; Chairperson of the Board, Mega International Commercial Bank Public Company Limited; Director, Mega Asset Management Corp; Director, China Real Estate Management. Former Chief Secretary of the Board of Directors, Mega holdings and Mega International Commercial Bank, General Manager of Brisbane Branch, First Commercial Bank. With extensive experience in the financial industry and corporate governance capacity, also full of international perspectives and familiar with the operation of the Group.	1. Currently Vice President of the Company’s parent company, Mega Holdings, and its affiliated company, Mega Bank; concurrently Chairperson of the Board, Mega International Commercial Bank Public Company Limited; Director, Mega Asset Management Corp. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	0
Director Nian-Tzy Yeh	MBA, University of Dallas, currently Senior Executive Vice President, Mega International Commercial Bank; Director, EXCEL Chemical Corp; Director, Taiwan Urban Regeneration & Financial Services. Former Manager, Mega International Commercial Bank-General Manager, Silicon Valley Branch; head, Anti - Money Laundering & Financial Crime Compliance Department. Full of international perspectives and with the expertise in loan review and money laundering prevention.	1. Current Senior Executive Vice President of the Company’s affiliated company, Mega Bank. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	0

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
Supervisor Yung-Chen Huang	Master of Economics, New York University, currently Senior Executive Vice President of Mega International Commercial Bank. Former Mega International Commercial Bank- Chief Auditor, Executive Vice President, International Business Group, and General manager of multiple branches, with the expertise in risk management, review and internal audit.	1. Current Senior Executive Vice President of the Company’s affiliated company, Mega Bank. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	0
Supervisor Chi- Ho Chen	Bachelor, Department of Banking, Chinese Culture University. Formerly Mega International Commercial Bank- Head, Debt Management Division; Deputy Head, Credit Management Division; Director, China Real Estate Management, with the expertise in loan review and overdue loan control.	1. Former Director-General, Overdue Loan & Control Department of the Company’s affiliated company, Mega Bank, and retired in 2022. 2. The others meet the independence requirements referred to in Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	0

Description: All of the Company’s directors/supervisors are free from any circumstances referred to in Article 30 of the Company Act.

2. Diversification and independency of the Board of Directors

(1)Diversification of the Board of Directors: The Company’s “Corporate Governance Practice Principles” requires that Board members should generally possess the knowledge, skills and competency necessary to execute their duties. The Board of Directors should have operational judgment skills, accounting and financial analysis skills, business management skills, crisis management skills, industry knowledge, International market views, leadership, decision-making skills, and risk management knowledge and capability.

1) The Company is a 100%-owned subsidiary of Mega Holdings; its directors and supervisors are entirely appointed by Mega Holdings. The Board of Directors should be formed in consideration of multiple factors including the operation and business types as well as the development requirements of the Company. The professional background and experience of the Board members should cover law, accounting, loaning, and finance with professional skills in different

areas including risk management, legal compliance, anti-money laundering, finance, economic analysis, business management, internal control, and industry knowledge.

- 2) The 16th Board of Directors/Supervisors members have operational judgment skills, accounting and financial analysis skills, business management skills, crisis management skills, leadership skills, decision-making skills, risk management and ESG management abilities, industry experience, and international market views.
- 3) There is one director, Yao-Kuang Tsai, who has employee status and acts as the President of the Company, occupying 12.5% of the Board members; there are two independent directors who have employee status and occupy a percentage of 25%; and four directors are female and occupy a percentage of 50%. Two of the independent directors have held the post for less than three consecutive terms. There are four directors aged between 61-70, three directors aged between 51-60, and one director aged less than 40.

Item Title/Name		Basic Formation									Industry Experience/Professional Competence								
		Nationality	Gender	Employee Status	Age			Seniority of Independent Director			Business Management	Leadership & Decision-Making	Financial Knowledge	Internal Industrial Economy	Finance & Accounting	Finance & Tax	Law	Risk Management	ESG & Sustainability
					Under age 50	51 to 60	61 and above	Less than 3 years	3 to 9 years	More than 9 years									
Chairperson of the Board	Mei-Chu Liao	Republic of China	Female			V					V	V	V	V			V	V	
Director and President	Yao-Kuang Tsai	Republic of China	Male	V		V					V	V	V	V			V	V	
Independent Director	Yih-Ray Hwang	Republic of China	Male		V				V		V	V	V	V	V	V	V	V	
Independent Director	Jean-Yue Chen	Republic of China	Male		V				V		V	V			V		V	V	
Director	Jui-Yun Lin	Republic of China	Female			V					V	V	V	V			V	V	
Director	Ya-Ting Chang	Republic of China	Female		V						V	V	V	V			V	V	
Director	Yu-Mei Hsiao	Republic of China	Female			V					V	V	V	V			V	V	
Director	Nian-Tzy Yeh	Republic of China	Male			V					V	V	V	V			V	V	
Supervisor	Yung-Chen Huang	Republic of China	Female		V						V	V	V	V			V	V	
Supervisor	Chi- Ho Chen	Republic of China	Male			V					V	V	V	V			V	V	

(2) Independence of Board of Directors: The “Corporate Governance Practice Principles” of the Company explicitly require the appointment of more than two independent directors and the number of these directors shall not be less than one-fifth of all the directors; no independent director shall concurrently serve as an independent director of more than three other publicly listed companies; no independent director shall hold the post for more than three consecutive terms; there shall be more than half of the directors who do not

have the marital relationship or are not relatives by blood within the second degree of kinship; there shall be at least more than one director or supervisor who does not have the marital relationship or is not a relative by blood within the second degree of kinship with any other supervisors or between the supervisors and directors.

- 1) The independence verification of the Company's independent directors meets the requirements of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". The Company has 8 directors. 2 of them are independent directors and occupy a percentage of 25%. Each of the two independent directors acts as an independent director of another one publicly listed companies, respectively. The independent directors of this term have held the post for less than three consecutive terms.
- 2) There is no marital relationship or any relation by blood within the second degree of kinship between the directors or supervisors or between the directors and supervisors.

II. Information about President, Senior Executive Vice President, Executive Vice President, and Executives of each Department and Branch Offices

December 31, 2022

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholdings		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			Remarks
					Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Education	Experience		Job Title	Name	Relationship	
President and CEO	Republic of China	Yao-Kuang Tsai	Male	2020.07.02	—	—	—	—	—	—	Dept. of Banking, Tamkang University	Chief Auditor of Mega Bills Finance	—	—	—	—	
Senior Executive Vice President	Republic of China	Chin-Sheng Huang	Male	2019.05.10	—	—	—	—	—	—	Master, Graduate Institute of Engineering, National Taiwan University of Science and Technology	Senior Executive Vice President and General Manager, Risk Management Department.	—	—	—	—	
Senior Executive Vice President	Republic of China	Jung-Chieh Cheng	Male	2019.11.08	—	—	—	—	—	—	Master of Commercial Automation and Administration, National Taipei University of Technology	Executive Vice President and General Manager, Risk Management Department.	—	—	—	—	
Senior Executive Vice President and General Manager, Risk Management Department	Republic of China	Shih-Yi Chen	Male	2022.07.29	—	—	—	—	—	—	MBA, Katholieke Universiteit Leuven	Chief Auditor of Mega Bills Finance	—	—	—	—	
Chief Auditor	Republic of China	Ming-Pao Wang	Male	2022.07.29	—	—	—	—	—	—	Master of Accounting and Taxation, Fengchia University	Executive Vice President and General Manager, Tainan Branch.	—	—	—	—	
Executive Vice President and General Manager, Planning Department	Republic of China	Chih-Wu Lin	Male	2022.07.01	—	—	—	—	—	—	MBA, National Cheng Kung University	General Manager, Planning Department.	—	—	—	—	
Executive Vice President and General Manager, Corporate Finance Department	Republic of China	Shih-Ming Wang	Male	2021.06.07	—	—	—	—	—	—	Master of Finance, Tamkang University	Executive Vice President and General Manager, Administration Department.	—	—	—	—	

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholdings		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			Remarks
					Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Education	Experience		Job Title	Name	Relationship	
General Manager, Trade Department	Republic of China	Fu-Yuan Cheng	Male	2022.01.16	—	—	—	—	—	—	Master of Business Administration, Yuan Ze University	General Manager, Taoyuan Branch.	—	—	—	—	
General Manager, Bonds Department.	Republic of China	Teng-Mao Yu	Male	2021.11.01	—	—	—	—	—	—	Master of Finance, National Taiwan University	Deputy General Manager, Bonds Department.	—	—	—	—	
General Manager, Treasury Department.	Republic of China	Chi-Ming Hsu	Male	2022.04.06	—	—	—	—	—	—	Master's degree, Institute of Management, National Sun Yat-sen University	General Manager, Legal Affairs and Compliance Department.	—	—	—	—	
General Manager, Administration Department.	Republic of China	Shao-Shih Lu	Male	2021.06.07	—	—	—	—	—	—	Master of Management Science, Ming Chuan University	General Manager, Sanchong Branch.	—	—	—	—	
Executive Vice President and General Manager, Electronic Data Processing Department.	Republic of China	Hsi-Bin Yo	Male	2014.05.16	—	—	—	—	—	—	Master, Graduate Institute of Engineering, National Taiwan University of Science and Technology	General Manager, Electronic Data Processing Department.	—	—	—	—	
General Manager, Legal Affairs and Compliance Department.	Republic of China	Hui-Lung Chung	Male	2022.04.06	—	—	—	—	—	—	Master of Finance, National Cheng Kung University	General Manager, Kaohsiung Branch.	—	—	—	—	
General Manager, Kaohsiung Branch.	Republic of China	Kuei-Yuan Chen	Male	2022.04.06	—	—	—	—	—	—	Master's degree, Institute of Finance Management, National Kaohsiung University of Science and Technology	General Manager, Hsinchu Branch.	—	—	—	—	

Job Title	Nationality	Name	Gender	Date of Election (Appointment)	Shareholdings		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			Remarks
					Quantity	Shareholdings	Quantity	Shareholdings	Quantity	Shareholdings	Education	Experience		Job Title	Name	Relationship	
General Manager, Tainan Branch.	Republic of China	Chi-Cheng Kang	Male	2022.07.16	—	—	—	—	—	—	Department of Business Administration, Feng Chia University	Deputy General Manager, Taoyuan Branch.	—	—	—	—	
Executive Vice President and General Manager, Taichung Branch.	Republic of China	Li-Chun Hsiao	Male	2022.04.06	—	—	—	—	—	—	MBA, Soochow University	General Manager, Taichung Branch.	—	—	—	—	
General Manager, Hsinchu Branch.	Republic of China	Ming-Hsueh Hu	Male	2022.04.06	—	—	—	—	—	—	Master, Institute of Economics, Soochow University	Deputy General Manager, Corporate Finance Department.	—	—	—	—	
General Manager, Taoyuan Branch.	Republic of China	Wen-Ching Yang	Male	2022.01.16	—	—	—	—	—	—	Department of International Trade, Tamkang University	Deputy General Manager, Sanchong Branch.	—	—	—	—	
General Manager, Banqiao Branch.	Republic of China	Yung-Fu Fang	Male	2019.07.16	—	—	—	—	—	—	Department of Economics, National Taiwan University	Deputy General Manager, Sanchong Branch.	—	—	—	—	
Executive Vice President and General Manager, Sanchong Branch.	Republic of China	Ching-Fa Chang	Male	2022.07.01	—	—	—	—	—	—	MBA, China University of Technology	General Manager, Sanchong Branch.	—	—	—	—	
General Manager, Taipei Branch.	Republic of China	Chieh-Wen Li	Male	2021.06.07	—	—	—	—	—	—	College of Commerce, National Taiwan University	Deputy General Manager of the Bills Department.	—	—	—	—	

III. Information of Retired Chairperson of the Board and Presidents Re-hired as Consultants: None.

Three. Corporate governance

I. Operations of the Board of Directors:

The Board of Directors met 14 times (A) in 2022. The attendance of the directors and supervisors was as follows:

Job Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) 【B/A】	Remarks
Chairperson of the Board	Mei-Chu Liao	14	0	100	
Director and President	Yao-Kuang Tsai	14	0	100	
Independent Director	Yih-Ray Hwang	14	0	100	
Independent Director	Jean-Yue Chen	14	0	100	
Director	Jui-Yun Lin	14	0	100	
Director	Nian-Tzy Yeh	14	0	100	
Director	Ya-Ting Chang	14	0	100	
Director	Yu-Mei Hsiao	14	0	100	
Supervisor	Yung-Chen Huang	14	0	100	
Supervisor	Chi- Ho Chen	14	0	100	

Other notes to be specified:

I. If any of the following occurred in the operation of the Board of Directors:

(I) Article 14-3 of the Securities and Exchange Act

1. The 16th Board of Directors submitted the audit and certification of the 2022 finance and tax statements, transfer-pricing report, and personal data protection audit project at its 10th meeting on January 25, 2022. The PricewaterhouseCoopers CPAs Po-Ju Kuo and Chung-Hsi Lai were authorized to perform the audit and certification. The independent directors did not have objections or qualified opinions.
2. The 16th Board of Directors submitted the proposal for transfer of the Treasury Department head at its 12th meeting on March 22, 2022. The independent directors did not have objections or qualified opinions.
3. The 16th Board of Directors submitted the amendment of the Company's "Procedures for Acquisition and Disposal of Assets" at its 14th meeting on May 24, 2022. The independent directors did not have objections or qualified opinions.
4. The 16th Board of Directors submitted the proposal for transfer of the chief internal auditing officer at its 15th meeting on June 28, 2022. The independent directors did not have objections or qualified opinions.

5. The 16th Board of Directors submitted the amendment of the Company's "Derivative Trading Procedures" at its 20th meeting on October 25, 2022. The independent directors did not have objections or qualified opinions.
- (II) Any documented objections or qualified opinions raised by independent directors against Board of Directors resolutions in relation to matters other than those described above: None.
- II. Avoidance of conflicting-interest agendas by directors (no objections or qualified opinions raised by independent directors)
- (I) At the 10th meeting on January 25, 2022, the 16th Board of Directors submitted 1. the donation to the projects of Mega Charity Foundation. Chairperson of the Board Mei-Chu Liao and Director Jui-Yun Lin recused themselves during the discussion and voting in relation to the agenda because both were the directors of the Mega Charity Foundation and, thus, stakeholders in the agenda; 2. Underwriting of non-guaranteed commercial promissory notes of Mega Financial Holding Co., Ltd. Director Jui-Yun Lin and Director Yu-Mei Hsiao recused themselves during the discussion and voting in relation to the agenda because both were the Senior Executive Vice Presidents of Mega Financial Holding Co., Ltd. and, thus, stakeholders in the agenda.
- (II) 11th meeting of the 16th Board of Directors held on February 22, 2022: Motion to remove restrictions against directors' involvement in competing businesses; Director Jui-Yun Lin, as the stakeholder, recused himself from discussion and voting.
- (III) 13th meeting of the 16th Board of Directors held on April 26, 2022: 1. Payment of monthly salary to Chairperson of the Board Mei-Zhu Liao, for which the Chairperson of the Board recused herself from all discussion and voting in relation to the motion, as the concerned party. 2. Motion to raise the monthly salary to President Yao-Kuang Tsai, for which Director and also President Yao-Kuang Tsai recused himself from the discussion and voting in relation to the motion, as the concerned party.
- (IV) 15th meeting of 16th Board of Directors held on June 28, 2022: Motion to amend certain provisions of the "Rules for Supply of Dormitory Room for the Management of MBF," for which Chairperson of the Board Mei-Zhu Liao and Director and President Yao-Kuang Tsai recused themselves from the discussion and voting on the motion, as the concerned parties, i.e. stakeholders.
- (V) 18th meeting of 16th Board of Directors held on August 23, 2022: 1. Motion to amend certain provisions of the "Rules for Supply of Dormitory Room for the Management of MBF," for which Chairperson of the Board Mei-Zhu Liao and Director and President Yao-Kuang Tsai recused themselves from the discussion and voting on the motion, as the concerned parties, i.e. stakeholders. 2. Underwriting of non-guaranteed commercial promissory notes of Chung Kuo Insurance Company Limited, and Director Jui-Yun Lin recused himself from the discussion and voting in relation to the motion, as a supervisor of Chung Kuo Insurance Company Limited, i.e. a stakeholder.
- (VI) The 16th Board of Directors submitted the underwriting of non-guaranteed commercial promissory notes of Mega Securities Co., Ltd. at its 20th meeting on October 25, 2022. Independent Director Yih-Ray Hwang recused himself during the discussion and

voting in relation to the motion, as an independent director of Mega Securities, i.e. a stakeholder.

(VII) The 16th Board of Directors submitted the lease of 9F of Mega Holdings Building to Mega Bank at its 21st meeting on November 22, 2022. Director Yu-Mei Hsiao, Director Nian-Tzy Yeh and supervisor Yung-Chen Huang recused themselves from the discussion and voting in relation to the motion, as the Senior Executive Vice President of Mega Bank, i.e. stakeholders.

(VIII) 23rd meeting of 16th Board of Directors held on December 23, 2022: 1. the Company's audit plan, for which Director Yao-Kuang Tsai recused himself from the discussion and voting on the motion, as the President of the Company concurrently, i.e. a stakeholder. 2. Underwriting of non-guaranteed commercial promissory notes of Mega Asset Management Co., Ltd., and Director Yu-Mei Hsiao recused herself from the discussion and voting on the motion, as a director of Mega Asset Management co., Ltd., i.e. a stakeholder.

III. A TWSE/TPEX listed financial company shall disclose the evaluation cycle and period, evaluation scope and method of the self-evaluation or peer evaluation of the Board of Directors: Not applicable, as the Company is not a TWSE/TPEX listed company.

IV. Enhancements to the functionality of the 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:

(I) The Company amended the Board of Directors Conference Rules on May 25, 2021 to specify that the Board of Directors shall meet once a month in principle.

(II) The Company amended the Board of Directors Conference Rules on September 27, 2022 to specify that the appointment and dismissal of the Chairperson of the Board shall be reported to the Board of Directors for discussion.

II. Supervisors' involvements in Board of Directors meetings:

The Board of Directors met 14 times (A) in 2022 and attendance was as follows:

Job Title	Name	Attendance in Person (B)	Actual Attendance Rate (%) 【B/A】	Remarks
Supervisor	Yung-Chen Huang	14	100	
Supervisor	Chi- Ho Chen	14	100	

Other notes to be specified:

I. Constitution and obligations of supervisors:

(I) Supervisors' communication with employees and shareholders (e.g. communication channels and methods): supervisors are able to communicate with the Company's employees and shareholders via written correspondence, telephone, fax and other appropriate means.

TEL: (02)2563-3156/FAX: (02) 2581-3089/Address: 5F, No. 100, Jilin Road, Taipei City 100

(II) 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 the supervisors. Supervisors may also initiate communication with the Chief Auditor and external auditors via meetings, audit conference, internal control defect review conference, 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 motions discussed as well as the Company's financial position and business performance.

II. 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:

Date of The Board of Directors Meeting	Session	Proposal	Board of Directors' resolution for the Company's response to the opinions stated by supervisors
2022.7.26	16-16	Loans to ○○ Company	<ul style="list-style-type: none"> ●The management provided sufficient explanation and planned to withdraw the motion. ●Approved withdrawal of the motion.
2022.12.23	16-23	Loans to ○○ company and ○○ Company.	<ul style="list-style-type: none"> ●The management provided sufficient explanation. ●Approved as proposed.

III. Corporate governance information

Please refer to the "Statutory Disclosure" section on the Company's website

(<http://www.megabills.com.tw/>).

IV. Existing corporate governance practices and deviation from Corporate Governance Best-Practice Principles for Bill Finance Companies

Item	Status		Summary description	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No		
<p>I. Shareholding structure and shareholders' interests</p> <p>(I) Have any internal procedures been established to deal with the suggestions, questions, disputes and litigations with respect to the shareholders and have the procedures been implemented accordingly?</p> <p>(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?</p> <p>(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?</p>	V		<p>(I) The Company is a 100%-owned subsidiary of Mega Financial Holding Co., Ltd. The organizational management, business management, financial business information and audit management that the parent company performs toward the Company are subject to the "Mega Financial Holding Co., Ltd. Subsidiary Regulation Rules". The Company has smooth communication with the parent company.</p> <p>(II) Mega Financial Holding Co., Ltd. is the Company's sole shareholder; the identity of the Company's ultimate controller can be established via the parent company.</p> <p>(III) The Company is entirely independent of affiliated entities in terms of personnel, assets, and financial decisions. The parent company's "Mega Financial Holding Co., Ltd. Risk Management Policy and Guidelines" and "Mega Financial Holding Co., Ltd. Firewall Policy" govern dealings with affiliated entities.</p> <ol style="list-style-type: none"> 1. Information security: The Company has established the transaction authority and file access rights as means of control. 2. Confidentiality of customers' information: accesses to customers' information are subject to proper authorization before proceeding. Customers consent is obtained before their information can be used and shared for joint marketing purposes. The Company has established confidentiality agreements with other subsidiaries of the group to ensure the secrecy of customers' information. 3. Related party transactions: The Company maintains a list of related parties and reports transactions regularly to the parent company - Mega Financial Holding Co., Ltd., through which related party disclosures are made to the authority. 	Compliant with "Corporate Governance Best-Practice Principles for Bill Finance Companies".
<p>II. Constitution and obligations of the Board of Directors</p> <p>(I) Had the Board of Directors developed a diversification policy with concrete management goals?</p> <p>(II) Has the Company set up functional committees voluntarily in addition to the Remuneration Committee and Audit Committee?</p>	V	-	<p>(I) The Company's "Corporate Governance Practice Principles" requires that Board members should generally possess the knowledge, skills and competency necessary to execute their duties, and the Board of Directors should have the overall capability as required. The Company is a 100%-owned subsidiary of Mega Financial Holding Co., Ltd.; its directors and supervisors are entirely appointed by Mega Financial Holding Co., Ltd.. The Board of Directors should be formed in consideration of multiple factors including the operation and business types as well as the development requirements of the Company. The professional background and experience of the Board members should cover law, accounting, loaning, and finance with professional skills in different areas including risk management, legal compliance, anti-money laundering, finance, economic analysis, business management, internal control, and industry knowledge. The Board of Directors values gender equity and four of the eight directors are female.</p> <p>(II) The Company is not listed on TWSE or TPEX and is 100% owned by Mega Financial Holding Co., Ltd. Hence, the Company is not subject to the regulations on the setup of the remuneration committee and may optionally set up an audit committee or supervisors. The Company has 8 directors and 2 of them are independent directors. The Company also</p>	Compliant with "Corporate Governance Best-Practice Principles for Bill Finance Companies".

Item	Status		Summary description	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No		
			appoints 2 supervisors. The Company has added functional committee	
(III) Has the TWSE/TPEX listed bills financing company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the Board of Directors and used as reference for compensation, remuneration, and nomination decisions?	-		rules into its "Corporate Governance Code of Conduct" to support decision-making and management. (III) The Company is not listed on TWSE or TPEX, therefore it has not established Board of Directors Performance Assessment Policy.	
(IV) Are external auditors' independence assessed on a regular basis?	V		(IV) The Company assesses the independence of the CPAs and acquires their statements of independence when hiring them every year.	
III. Has the company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	V		The Company appoints a corporate governance officer through the Board of Directors and sets up a corporate governance section for the matters related to the corporate governance, including dealing with Board meeting affairs, preparing Board meeting minutes, assisting directors and supervisors in the assumption of duty and continuing training, providing directors with the information needed to perform their duties, and helping directors and supervisors in legal compliance. The corporate governance officer received a total of 18 hours of relevant training courses in 2022.	Compliant with "Corporate Governance Best-Practice Principles for Bill Finance Companies".
IV. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		The Company provides a contact window and a dedicated telephone number on the Company website. It has set up a special area for stakeholders to maintain smooth communication channels, thereby respecting and safeguarding the legitimate rights and interests of stakeholders.	Compliant with "Corporate Governance Best-Practice Principles for Bill Finance Companies"
V. Information disclosure (I) Does the Company build a website to disclose financial, business, and corporate governance-related information? (II) 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		(I) The Company has made a Statutory Disclosures section on its website to disclose important information such as corporate governance, financial reports, annual report and credit rating. (II) Other means of information disclosure 1. The Company sets up the website in English language to disclose the annual report in English and other important financial and business information. 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 "Spokesperson and Acting Spokesperson Policy" in place to prohibit employees from speaking for the Company, thereby making sure that information is disseminated according to proper procedures. 4. The Company is not listed on TWSE or TPEX. Its important messages and investor conference information are disclosed via the parent company - Mega Financial Holding Co., Ltd..	Compliant with "Corporate Governance Best-Practice Principles for Bill Finance Companies"
(III) Does the company publish and make official filing of annual	V		(III) The Company publishes and files annual report within the required timeframe, and publishes/files Q1, Q2, and Q3	

Item			Status	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No	Summary description	
financial reports according to The Act Governing Bills Finance Business and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2, and Q3 financial reports plus monthly business performance before the specified due dates?			financial reports along with monthly business performance before the designated due dates.	
VI. Other material information helpful for the understanding of our company's governance (such as employee welfare, employee care, investor relations, stakeholder rights, professional education of directors and supervisors, attendance of the directors and supervisors at the Board of Directors, implementation of risk management policies and risk evaluation standards, implementation of consumer and customer protection policies, and the liability insurance taken out by bills finance company for the directors and supervisors):	V		<p>(I) Employee welfare: enforced in accordance with Labor Standards Act and the Company's work rules.</p> <p>(II) 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 (in compliance with labor safety and health regulation), health checks, wedding and funeral subsidies etc.</p> <p>(III) Investor relations: the Company is a 100%-owned subsidiary of Mega Financial Holding Co., Ltd., which is the sole investor.</p> <p>(IV) Stakeholder rights: The Company's information is open, the website has a special section for stakeholders, and communication channels are smooth. Employees, customers or vendors can respond to and communicate with the Company via telephone, letter, email, or customer complaint line.</p> <p>(V) Professional education of directors and supervisors: new directors and supervisors received a total of more than 12 hours of training courses. Reelected directors and supervisors received more than 6 hours of training courses on average. Certain directors and supervisors attended the "Corporate Governance-International Sustainable Financial Development Trend" organized by the Ministry of Finance; "Audit Committee Convener's Best Practices," "Net-Zero Carbon Reduction Roadmap for TWSE/TPEX Listed Companies," "New Vision of Digital Transformation" and "ESG-Know It and Do It" organized by Taiwan Corporate Governance Association; "Study on Anti-Money and Countering of Terrorism Financing Practices," "Insider Trading Prevention Presentation Conference," "Technology Development and Business Opportunities for Electric Vehicles and Smart Vehicles," "Global Risk Awareness—Opportunities and Challenges in Next Decade," "Application of OKR to Build High-Performance Organization," "Risk and Opportunity Brought by Climate Change and Net-Zero Policy to Business Administration," "Latest Development Trend of International Carbon Tariff, and Responsive Measures" and "Hunting Supply Chain Information Security Threat: Opportunity for Startups in Taiwan" organized the Securities & Futures Institute; "2022 PV Power Financial Business Training Workshop," "AML Continuing Education Program for Directors/Supervisors and Internal Auditors," "Basel III and Credit Risk Internal Ratings-Based Approach Workshop," "Workshop on Legal and Taxation Knowledge About Asset Planning for High-Net Worth Individuals," "Industrial Transformation, Carbon Reduction and Net-Zero Supported by Finance," "Financial Information Security Risk and Personal Data Protection," "2022 International FinTech Forum - Thinking and Risk Management of Digital Transformation," "Financial Senior Management's Leadership Thinking Leap Program," "Corporate Information Security Status under Digital Resilience" and "Business M&A and Legal Risk" organized by Taiwan Academy of Banking and Finance; "Anti-Money Laundering and Countering of Terrorism</p>	Compliant with "Corporate Governance Best-Practice Principles for Bills Finance Companies"

Item			Status	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No	Summary description	
			<p>Financing,” “Statement of Audit Standards No. 75,” “Company Registration Practices Presentation Conference,” “Latest Tax Laws and Practices” and “Analysis on Connection with Anti-Money Laundering” organized by CPA Associations ROC (Taiwan); “Training Course on AML/CTF Laws & Regulations and Anti-Corruption and Counter-Proliferation Financing,” “Prevention of Social Engineering Attack,” “Climate Change Risk Financial Disclosure,” “Sharing of Information Security Practices” and “Personal Data Protection Act and Personal Data Inventory-Taking Training” organized by MBF; “Current Directors’/Supervisors’ AML/CTF, Whistleblowing System and Ethics” organized by Taiwan Depository and Clearing Co., Ltd.; “Mega Financial Group Directors’/Supervisors’ Information Security Training,” “TCFD Education & Training” and “Mega Holdings ESG Presentation Conference” organized by Mega Holdings; “ESG Climate Risk Management- Financial Instrument Hedge Application and Development Trend” organized by Taiwan Independent Director Association; “Twin-Summit Forum Online” organized by TWSE; “Financial Friendly Service Guidelines-Training Courses on the Elderly and Accessibility,” “Fair Dealing Policy Theory and Practices” and “Information Security Training Course” organized by Taipei Foundation of Finance; “Information Security Awareness,” “Information Security Thinking in Post-Epidemic Era,” “Directors’/Supervisors’ AML and CTF Education & Training,” “Sharing of Practices on Bank’s Fair Dealing Policy and Ethical Cultures” and “Net-Zero Transformation ESG Seminar Series” organized by Mega Bank.</p> <p>(VI) Meeting attendance by directors and supervisors: all directors and supervisors have attended board meetings as required by policy.</p> <p>(VII) 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.</p> <p>(VIII) Consumer and customer protection: The Company has established a set of “Financial Consumer Dispute Resolution Guidelines” based on the “Financial Consumer Protection Act” developed by the Financial Supervisory Commission that outlines rules that the Company is bound to comply. In addition, the “Bonds Repurchase Master Agreement” provides a comprehensive description of the Company’s obligations that consumers or customers may enforce to protect their interests. 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.</p> <p>(IX) Directors and supervisors’ liability insurance: the Company takes out “liability insurance for directors and managerial officers” every year.</p>	

Item	Status		Summary description	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No		
VII. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required as the Company is not subject to evaluation) The Company is not listed on TWSE or TPEX; it is not subject to evaluation and hence this does not apply.				

V. Implementation status of sustainable development and the differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Item of Implementation	Implementation Status			Differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary description	
I. Has the company conducted risk assessment on environmental, social and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	V		The Company is a 100%-owned subsidiary of Mega FHC. The parent company communicates with internal and external stakeholders through multiple channels based on the principles of materiality to understand the sustainability issues of interest and, therefore, identify the ESG-related (environment, society and corporate governance) risks. In 2022, the Company established the "Climate Risk Management Guidelines" based on Mega FHC's guidelines to include the climate risk management into the Company's operations. The implementation status thereof is reported to the Risk Management Committee on a quarterly basis.	
II. Has the Company established a governance structure for the implementation of sustainable development, set up any department that specializes (or is involved) in such implementation, and authorized top management to process this matter with a mandate from the Board of Directors? How is the supervision of the Board of Directors?	V		The parent company established the "Sustainable Development Committee" governing five taskforces, namely, environmental sustainability, sustainable finance, employee care, social relationships and corporate governance. All of the taskforces aim to "exercise positive influence and lead sustainable development" as their mission when promoting various tasks, in accordance with the Group's sustainable development strategy roadmap, and are responsible for preparation of and follow up on the Group's ESG plan and implementation status thereof. The Company establishes the ESG execution team per Mega FHC's planning. The Planning Department is concurrently responsible for the implementation of sustainable development and reports to the Board of Directors every year.	
III. Environmental issues (I) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(I) The Company is a business in the financial service industry that has an impact on the environment, mainly in the consumption of paper resources. We reduce the use of paper by holding meetings in a paperless environment and using electronic documents. The consumed energy primarily refers to gas, water and electricity. By quantity control, elevator control and energy conservation during off-peak hours, aisle lighting, limited air-conditioning operational hours and water resource flow control, the Company mitigates the impact to the environment. Meanwhile, the Company also plans to replace the old equipment consuming energy greatly, and tends to procure equipment, appliances and other transactional products bearing the energy-conservation or eco-friendly mark as the first priority. In 2022, the Company has completed the "ISO 14064-1 GHG Accounting" at all of the Company's 9 business locations, and implemented the	

Item of Implementation	Implementation Status			Differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons									
	Yes	No	Summary description										
(II) Is the company committed to improving energy efficiency and using renewable materials that produce less impact on the environment?	V		<p>“ISO14001 Environmental Management System” and “ISO50001 Energy Management System” into the Head Office Building,” all of which were already investigated by a third party.</p> <p>(II) The Company has established the following plans:</p> <ol style="list-style-type: none"> 1. Take an inventory of old energy-consuming equipment and plan the replacement projects every year. 2. Replace the lighting with LED light bulbs at the office premises to reduce energy consumption. 3. To increase the proportion of hybrid official vehicles step by step, in 2022, the Company purchased a total of 9 hybrid cars for the official vehicles, i.e. 81.82% of the procurement of official vehicles. 4. Green procurement is the first priority. We use the products from the suppliers with the energy-conservation or Green Mark. The green procurement amount in 2022 was NT\$14 million, occupying 17.72% of the total procurement amount. 										
(III) Does the company assess potential risks and opportunities associated with climate change, and undertake relevant measures?	V		<p>(III) The parent company signed the “Task Force on Climate-related Financial Disclosures (TCFD)” officially in April 2020. The Company actively supports Group’s policies by regularly identifying risks and opportunities in climate change, assessing potential impacts and adopting appropriate management measures, and assesses the impact posed to the Company therefor, in order to include the same into the business management measures and set the high-carbon emission industry loan and investment limit risk management targets.</p>										
(IV) Does the company maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing greenhouse gas, water, and waste?	V		<p>(IV) The statistical data on the total GHG emission, water consumption and waste of the Company in the most recent two years are described below:</p> <ol style="list-style-type: none"> 1. GHG emission (information from the nine business locations of the Company) <div style="text-align: right;">Unit: Ton CO₂e</div> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Direct GHG Emission (CAT1)</th> <th>Indirect GHG Emission (CAT2 ~ CAT6)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>123.0662</td> <td>630.7943</td> </tr> <tr> <td>2022</td> <td>155.0882</td> <td>607.9678</td> </tr> </tbody> </table> <p>Description: The 2022 GHG accounting is in progress. The result will be disclosed on the website of the Company and in the annual report for the next year.</p> <p>The electricity consumption was saved by 1.27% in 2022 (8.29% in 2021). The electricity consumption in 2022 was 1,242,468 kWh, decreasing by 16,027 kWh from 1,258,495 kWh in 2021. the carbon reduction measures include replacement for LED light tubs and water chiller unit at the office premises.</p> 2. Water consumption (information from the nine business locations of the Company) 	Year	Direct GHG Emission (CAT1)	Indirect GHG Emission (CAT2 ~ CAT6)	2021	123.0662	630.7943	2022	155.0882	607.9678	
Year	Direct GHG Emission (CAT1)	Indirect GHG Emission (CAT2 ~ CAT6)											
2021	123.0662	630.7943											
2022	155.0882	607.9678											

Item of Implementation	Implementation Status			Differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons												
	Yes	No	Summary description													
			<p style="text-align: right;">Unit: Million tons</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>6,411</td> </tr> <tr> <td>2022</td> <td>6,823</td> </tr> </tbody> </table> <p>The water consumption was reduced by -6.42% in 2022 (13.71% in 2021). The water consumption in 2022 was 6,823 degrees, increasing by 412 degrees from 6,411 degrees in 2021, primarily as a result of the increase in cleaning water consumption during the epidemic prevention period and the leakage of the air-conditioning cooling water tower of Kaohsiung Branch building in Q4 of this year. Each business location has been notified to note the water saving measures, including posting water-saving slogans in the pantry and rest rooms and adjusting the water flow from the faucet.</p> <p>3. Output of waste (range of information: the Hengyang Building of the head office in 2021; the Hengyang Building of the head office and 8 branches' business locations in 2022)</p> <p style="text-align: right;">Unit: Ton</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total Waste Volume</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>43.94</td> </tr> <tr> <td>2022</td> <td>50.71</td> </tr> </tbody> </table> <p>The Company is a financial service business and does not manufacture tangible products. We do not produce poisonous waste during business operation. Since 2018, the Group has promoted the waste reduction plan and implemented the policy for "cancellation of personal trash cans" in order to implement the reduction of household waste precisely. Qualified professional cleaning service providers are authorized to address the waste. Usable materials are transported to the qualified resources recycling site and waste is transported to the refuse incineration plant. The Company has prohibited the disposable melamine tableware since September 2020. Employees are required to use iron lunch boxes. As a result, the waste may be reduced by about 1,060 kg each year.</p>	Year	Total water consumption	2021	6,411	2022	6,823	Year	Total Waste Volume	2021	43.94	2022	50.71	
Year	Total water consumption															
2021	6,411															
2022	6,823															
Year	Total Waste Volume															
2021	43.94															
2022	50.71															
<p>IV. Social issues</p> <p>(I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	V		<p>(I) The Company follows labor laws and internationally-recognized workers' rights in accordance with the "Human Rights Policy" of the financial holding parent to establish appropriate management measures and procedures including:</p> <ol style="list-style-type: none"> 1. Reasonable compensation and bonus/remuneration scheme for employees. 2. Employee training programs. 3. Insurance and leave policy. 4. Pension contributions. 5. Maintain the work environment's order by formulating "Matters for Prevention and Handling of Sexual Harassment" and "Matters for Employee Suggestions and Complaints" and by providing corresponding complaint channels. 													

Item of Implementation	Implementation Status			Differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary description	
(II) Has the company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		<p>(II) Employee welfare measures:</p> <ol style="list-style-type: none"> 1. Business performance reflected in the remuneration to employees In addition to the 2-month basic bonus as part of the year-end bonus, the Company sets aside a fixed percentage of performance bonus based on the actual earnings and the budget targets of the current year to encourage the employees, share the business outcomes, and maintain the togetherness of the employees. The remuneration to employees is set aside pursuant to the Company's Articles of the Incorporation and the profitability of the Company. The remuneration is ranked based on the contribution to the business and calculated in proportion to seniority. 2. Leave and welfare <ol style="list-style-type: none"> (1). Leave system In addition to the two days off at the weekend, special leave is provided based on the seniority of the employees. The employee who suffers from serious injury or sickness, nourishes a baby, needs more time to recuperate or take care of a new arrival may apply for leave without pay to satisfy his/her personal needs and take care of the family. (2). Subsidies and incentive The Company provides employees with subsidies for travel, physical examination, childbirth and group insurance. Other grants and incentives are provided for the employees who acquire a license in finance, language and other professional fields. The Company encourages the employees to improve professional competence by paying for relevant training courses. (3). Diversity and equality Female employees had a percentage of 27% in 2022 (26% in 2021). Female managerial officers have a percentage of 2% in 2022 (same as in 2021). Two employees with disabilities were hired in 2022 in compliance with the law. 	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>(III) The Company provides employees with a safe and healthy work environment and relevant educational training, including:</p> <ol style="list-style-type: none"> 1. Organize occupational safety education and training every year, and handle environmental monitoring of office premises. The carbon dioxide concentration, illuminance, and electromagnetic wave monitoring all meet the standards. 2. Conduct employee health checks every year, and insure employees and their family members with accident and medical insurance. 3. Formulate precautions to implement safety maintenance and precautions for disaster emergency response measures, organize firefighting seminars and drills every year, and regularly hold safety maintenance meetings and occupational safety management team meetings. 	

Item of Implementation	Implementation Status			Differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary description	
(IV) Has the company implemented an effective training program that helps employees develop skills over their career?	V		(IV) The Company implemented has established the following training programs that help employees develop skills over their careers: <ol style="list-style-type: none"> 1. Internal educational training programs are developed every year to provide managerial officers and employees with comprehensive training for their competence. The employees participated in the training for a total of 13,570 hours or 60.85 hours on average in 2022. 2. The purposes of the training include improving employee's competence, helping employees transfer to other functions, facilitating the assessment of employee's professional capability, and empowering employees to be competent for different functions. 3. To improve professionalism of the employees and strengthen the Company's competitive advantages, the Company provides subsidies and incentives for the employees who acquire the finance, IT and other professional licenses or English proficiency test certificates. 	
(V) Has the bills finance company complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer or customer protection policies and complaint procedures?	V		(V) The policies and procedures established in compliance with relevant laws and regulations to protect the rights of the customers are described below: <ol style="list-style-type: none"> 1. The Company establishes the "Financial Consumer Dispute Resolution Guidelines" and "Principle of Treating Clients Fairly and Financial Customer Protection Policy" pursuant to the "Financial Consumer Protection Act" and "Principle of Treating Clients Fairly for the Financial Service Industry" with FSC as the competent authority. The procedures for filing complaints are published on the website of the Company and customers were granted the opportunity to file the complaint to the designated department by phone, in person, by letter or using email. The department where the event concerned occurred is requested to report the facts, handling status, and recommended resolutions. The designated department will give a reply to the applicant and close the case after the final resolution is confirmed. 2. All marketing, labeling, advertising, solicitation, and promotional activities relating to products and services shall be conducted in accordance with the "Guidelines for Advertising, Business Solicitation and Promotion Activities" of the Company. 	
(VI) Has the company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked	V		(VI) The supply management policy of the Company is described below: <ol style="list-style-type: none"> 1. The Company establishes the "Guidelines for Sustainable Operation and Management of Suppliers". It explicitly specifies that suppliers shall observe the laws relevant to labor and environmental protection, and shall provide a safe and healthy work environment. 2. Before dealing with a supplier, an assessment shall be made to understand if the supplier ever produced an 	

Item of Implementation	Implementation Status			Differences with sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary description	
suppliers' performance on a regular basis?			impact on the environment or society. The Company shall avoid trading with the supplier in violation of the Guidelines. When entering into a contract with the Company, the suppliers shall observe the Guidelines and sign the "Supplier's Sustainable Operation Declaration". The Declaration was signed by suppliers for 34 contracts in 2022. In addition, the Company purchases green and locally produced goods and products with Green Mark as the first priority.	
V. Does the bills finance company prepare a sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier?	V		(I) The parent company prepared the Group's ESG report to disclose the relevant information based on the core options in the Global Reporting Initiative ("GRI) Standards ("GRI Standards"), SDGs, and the standards released by the Sustainability Accounting Standards Board ("SASB) with respect to commercial banks, in part. (II) Deloitte Taiwan has issued the assurance report on 2021 ESG Report. The 2022 ESG Report will be assured by the CPAs in accordance with the "Operating Procedure for Preparation and Certification of ESG Report" amended by the parent company in November 2022.	
VI. If the company has established sustainable development principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				
VII. Other information useful to understand the implementation of sustainable development: Please refer to the "Sustainable Development" section on the Company's website (http://www.megabills.com.tw/).				

VI. Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Item	Status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
I. Formulate integrity policies and solutions (I) Has the company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	V		(I) The Company adopts a business philosophy of "integrity, stability, innovation, efficiency and sustainability" when pursuing growth. In order to establish integrity as the dominant corporate culture and the foundation for future growth, a set of "Business Integrity Code of Conduct" and "Procedures for Ethical Management and Guidelines for Conduct" have been implemented within the Company with the board of directors' approval. Together, they emphasize integrity as the priority and foundation for the Company's operational policy, corporate governance and risk management, and ensure a sustainable business environment. The Company discloses integrity measures and progress through its website and annual reports; both the directors and senior management have issued letters of commitment to comply with the business integrity policy.	The Company is not listed on TWSE or TPEX, hence not required.
(II) Has the company developed systematic practices for	V		(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" have addressed operating activities	

Item	Status		Summary description	Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
<p>assessing integrity risks? Does the company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(III) Has the company defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?</p>	V		<p>that present high integrity risk, as listed in “Paragraph 2 of Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies,” by implementing preventive measures such as regular training, internal control system enhancement, and incentives to insiders and outsiders for reporting dishonesty or misconduct.</p> <p>(III) The Company’s “Procedures for Ethical Management and Guidelines for Conduct” explicitly prohibit employees from offering or committing to lobbying fees, exercising unfair competition, offering or accepting improper gains and engaging in dishonest conducts in general. Relevant procedures and disciplinary actions have been implemented for enforcement. The “Working Rules” and “Criteria for Handling Reported Cases” clearly punish employees for violations of laws and regulations, fraudulent embezzlement, etc. Separately, the “Matters for Employee Suggestions and Complaints” offers a clear scope and procedures for appeals. Enforcement of business integrity policy is reviewed once every six months, during which preventive measures are examined for possible improvements.</p>	
<p>II. Fulfillment of Ethical Corporate Management</p> <p>(I) 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?</p> <p>(II) Does the company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the</p>	V		<p>(I) According to the Company’s “Guidelines for Sustainable Development and Management of Suppliers”, all counterparties must be checked for a history of adverse environmental or social conduct before commencing business dealings. The Company should also avoid transacting or contracting with counterparties that exhibit a history of dishonesty. The Company requires suppliers to issue declarations and borrowers to sign agreements in relation to the above, under which the Company is entitled to terminate contract at any time upon discovery of dishonest conduct.</p> <p>(II) The Board of Directors of the Company will pass the “Procedures for Ethical Management and Guidelines for Conduct” and designate the Administration Department as a dedicated unit. It shall report to the Board of Directors at least once a year.</p>	

Item	Status		Summary description	Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No		
board of directors on a regular basis (at least once a year)?				
(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	V		(III) The Company's Procedures for Ethical Management and Guidelines for Conduct stipulate rules for avoiding conflicts of interest. In respect to directors, supervisors, managers, and other stakeholders participating and attending the Board of Directors concerning board meeting matters, if a director or the juristic person represented thereby has a stake in a proposal at the meeting, he or she may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as a proxy on behalf of another director. A director would be considered to hold self interest in a topic raised in the abovementioned meeting if the director's spouse, 2nd-degree direct relative or closer, or any of the director's controlled or controlling entities holds stake in the said topic. In 2022, there were 17 recusals of directors, and 1 recusal of supervisors. For managers, except for personnel, remuneration and audit plans, there were no cases requiring the recusal of managers. Employees shall not use the opportunities afforded by their positions to obtain illegitimate benefits for themselves, their spouses or blood relatives within the second degree of kinship, or stakeholders having a major interest.	
(IV) Has the company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(IV) The Company has developed "accounting system" based on the authority's policies, and prepares quarterly financial reports in accordance with generally accepted accounting principles and Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies. The Company has implemented its own internal audit and self-audit systems. Self-audit of the internal control system is conducted in December each year; in addition, the Company engages external auditors to perform audit on the internal control system on a yearly basis. The Auditing Office reviewed the results of the internal control system self-inspection of each unit in 2022. There were no major deficiencies in the review results, and no dishonest behavior was found in the annual review. In addition, the accountant's review of the internal control system in 2022 did not find any major abnormalities.	
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	V		(V) Each internal department organizes separate courses on regulatory compliance, internal control and business integrity on a yearly basis. In October 2022, 261 individuals participated in ethical management education training.	
III. Whistleblowing system				
(I) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated	V		(I) The Company has established "Criteria for Handling Reported Cases" to facilitate its handling of reported cases. The Auditing Office is responsible for the acceptance and investigation of reported cases and has set up and published reporting channels, including written correspondence,	

Item	Status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>personnel to investigate the reported malpractices?</p> <p>(II) Has the company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p> <p>(III) Does the company assure malpractice reporters that they will not be mistreated for making such reports?</p>	V		<p>telephone, and e-mail. Anyone who encounters illegality must report it, and the types of cases to be accepted and the rewards and punishments for relevant personnel shall be stipulated. The Auditing Office did not receive any cases reported according to the aforementioned channels during the period from September 2018 when the Criteria were established, to the end of 2022.</p> <p>(II) The Company has outlined standard operating procedures and review criteria for misconduct reports, and requires all subjects of investigation and witnesses to sign a confidentiality agreement that informs them of the severe legal consequences involved in a violation of confidentiality commitment. Post-investigation processes, such as distribution of investigation report and reward/disciplinary measures for concerned employees, are also duly implemented.</p> <p>(III) The Company has outlined rules concerning the informant's identity, confidentiality of the reported case, and protection of work rights to protect informants against mistreatment. Employees may report to independent directors or supervisors for any mistreatment encountered.</p>	
<p>IV. Enhanced information disclosure Has the company disclosed its integrity principles and progress onto its website and MOPS?</p>	V		The Company's integrity activities are disclosed in annual reports and on the Company's website.	
<p>V. 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: The Company has established "Business Integrity Code of Conduct" based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and enforced accordingly, hence no deviation was found.</p>				
<p>VI. Other information relevant to understanding business integrity (e.g. review and amendment of existing integrity principles):</p> <p>(I) The Company's Board of Directors adopted the amendment of the "Criteria for Handling Reported Cases" on February 22, 2022.</p> <p>(II) The Company amended the "Guidelines for Sustainable Operation and Management of Suppliers" to the "Guidelines for Sustainable Development and Management of Suppliers" on July 14, 2022.</p>				

VII. Disclosures relating to the execution of internal control system

(I) Internal Control Declaration

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

Representing Mega Bills Finance Co., Ltd., the Company, from January 1, 2021 to December 31, 2021, 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 conducted inspections by an impartial and independent audit department, periodically reported to the Board of Directors and supervisors. The Company properly observes Article 38, Subparagraph 5 and Article 38-1 of the aforementioned Implementation Rules, as well as the self-regulatory rules for information security established by the association of the industry. As for the non-specialized securities business, the Company judges the design of the internal control system and the effectiveness of the implementation pursuant to the internal control system judgment items specified in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets”. According to the careful assessment, the internal control, legal compliance and information security of each department were implemented effectively this year except for those listed in the attached table.

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

Chairperson of the Board:	Mei-Chu Liao
President:	Yao-Kuang Tsai
Chief Auditor:	Ming-Pao Wang
Legal Compliance Officer:	Hui-Lung Chung
Information Security Officer:	Yi-Sheng Huang

January 31, 2023

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

Reference date: December 31, 2022

Required Improvement	Corrective Action	When Improvement Scheduled to be Completed
None	None	None

- (II) 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 due to violation; describe the weaknesses found, the improvements made, and provide the following disclosures:

- (I) Prosecution against company representatives or staff for criminal conducts: None.
- (II) Fines imposed by Financial Supervisory Commission (FSC) for violations: None.
- (III) Provisions for sanctions in accordance with Article 61-1 of the Banking Act of the Republic of China as applied by Article 51 of the Act Governing Bills Finance Business: None.
- (IV) Any penalty imposed by the bills finance company against its insider for violation of internal control system; where the penalty is likely to have material impact on shareholders' interest or security price, or meets any of the conditions mentioned in Article 2 of FSC's Regulations Governing Announcement of Major Penalties Imposed for Violation of Financial Regulations: None.
- (V) Disclosure of losses exceeding NT\$50 million incurred during the year, whether in one event or aggregately over several events, as a result of extraordinary non-recurring incidents (such as fraud, theft, embezzlement, fictitious transactions, forgery of documents and securities, kickbacks, natural disasters, external forces, hackers' attacks, theft and leakage of confidential information, disclosure of customers' details or other material occurrences), or accidents arising due to failure on safety measures: None.
- (VI) 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

- (I) On February 22, 2022, the 11th meeting of the 16th Board of Directors passed resolutions on behalf of the shareholders' meeting:
Removal of restrictions imposed against the Company's directors for involving in competing businesses.

(II) On April 26, 2022, the 13th meeting of the 16th Board of Directors passed resolutions on behalf of the general shareholders meeting:

Recognition of the 2021 financial statements, earnings distribution plan and raise of the Chairperson of the Board's monthly salary.

(III) On June 28, 2022 the 15th meeting of the 16th Board of Directors passed resolutions on behalf of the general shareholders meeting:

Amendments to certain provisions of the Company's "Procedures for Acquisition and Disposal of Assets."

(IV) On November 22, 2022, the 21st meeting of the 16th Board of Directors passed resolutions on behalf of the general shareholders meeting:

Amendments to certain provisions of the "Derivative Trading Procedures."

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. Resignation or dismissal of personnel related to financial statement preparations (including the Chairperson of the Board, president, head of finance, head of accounting, chief internal auditor and corporate governance officer) in the most recent year up till the publication date of the annual report:

Job Title	Name	Date of Appointment	Date Discharged	Cause of Resignation or Discharge
General Manager, Treasury Department	Chih-Hsiung Chiu	2011.3.1	2022.4.6	Transfer
Chief Auditor	Shih-Yi Chen	2020.6.24	2022.7.29	Transfer
Corporate Governance Officer	Yi-Sheng Wang	2019.4.1	2022.7.16	Retired

Capital Overview

One. Information on capital and shares

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

Unit: NTD thousands; shares

Year/ month	Sale Price	Authorized capital		Paid-in capital		Remarks	
		Shares	Amount	Shares	Amount	Source of share capital	Others
2023/3	10	1,311,441,084	13,114,410,840	1,311,441,084	13,114,410,840	Public offering	—

Unit: shares

Share category	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stocks	1,311,441,084	0	1,311,441,084	Publicly offered but not listed on TWSE/TPEX

II. Shareholder structure

March 31, 2023

Shareholder structure Quantity	Government	Financial institutions	Other corporations	Natural persons	Foreign institutions and foreigners	Total
	Number of person	0	1	0	0	0
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

Par value of NT\$10 per share; March 31, 2023

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. Major Shareholders

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

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

Item		Year	2021	2022	Year-to-date March 31, 2023
Market price per share	Maximum		-	-	-
	Minimum		-	-	-
	Average		-	-	-
Net value per share	Before allocation		31.25	26.83	27.90
	After allocation		29.51	(Note)	-
EPS	Weighted average outstanding shares		1,311,441,084	1,311,441,084	1,311,441,084
	EPS		2.50	2.32	0.36
Dividends per share	Cash dividends		1.74	0 (Note)	-
	Stock dividends	From earnings	-	-	-
		From capital surplus	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of ROI	P/E ratio		-	-	-
	Price to dividends ratio		-	-	-
	Cash dividends yield		-	-	-

Note: As of the annual report's printing date, the 2022 profit distribution proposal has been approved by the Board of Directors. However, the Board of Directors has not yet passed the Resolved under vested authority.

I. Dividends policy and implementation

(I) Dividend policies stated in the Articles of Incorporation

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

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

Mega Holdings is the only shareholder of the Company. Upon provision of the legal reserve and special reserve from net profit in 2022, the Company retains no distributable earnings. Therefore, no dividends will be distributed this time.

II. Impact on the Company's business performance and EPS by the allocation of stock dividends discussed at this shareholders' meeting: None.

III. Employees'/Directors'/Supervisors' remuneration

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

1. Employees' remuneration

Profits concluded from each financial year shall have employee remuneration provided at 1.75% ~ 3% of the surplus; however, profits shall first be taken to offset accumulated 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. Payments can be made upon approval and reported during a general shareholders 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 estimated amount of employee remuneration for the Company in 2022 is NT\$75,540,858. It is based on the pre-tax benefits excluding the amount of employee compensation as of the current period and estimated based on the Articles of Incorporation figures. Separately, the 2022 remuneration of directors and supervisors and employee remuneration distributed by stocks for the Company has not been estimated.

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

Any differences between the amount resolved by the 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

In accordance with the Company's Articles of Incorporation and with the resolution passed by the 26th meeting of the 16th Board of Directors on March 28, 2023, the cash distribution of employee remuneration for 2022 was NT\$73,652,337. The Company did not propose any share payment for employees'/directors'/supervisors' remuneration. The Board of Directors approved a cash distribution of NT\$73,652,337 for employee compensation for 2022. Compared with employees' compensation expenses recognized in the 2022 financial statements of NT\$75,540,858, the difference amounted to NT\$1,888,521. The profit and loss for 2023 have been adjusted due to changes in the employee remuneration ratio.

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

In accordance with the Company's Articles of Incorporation and with the resolution passed by the 12th meeting of the 16th Board of Directors on March 22, 2022, the cash

distribution of employee remuneration for 2021 was NT\$75,318,841. The actual cash distribution for employee compensation for 2021 was NT\$75,318,841. Compared with employees' compensation expenses recognized in the 2021 financial statements of NT\$81,425,774, the difference amounted to NT\$6,106,933. The profit and loss for 2022 were adjusted due to changes in the employee remuneration ratio.

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

IV. Re-purchase of the Company's shares: None.

Overview of Business Operations

One. Business Scope

I. Main business

(I) Major business activities by segment

1. Bills Business

- (1) Acting as a underwriter, broker or proprietary trader with respect to short-term bills (including USD bills)
- (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 or proprietary trader with respect to bank debentures
- (3) Proprietary trading of corporate bonds
- (4) Proprietary trading and investment of fixed income securities
- (5) Proprietary trading and investment of foreign currency 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

Item \ Year	2022		2021	
	Amount	As a proportion of total assets (%)	Amount	As a proportion of total assets (%)
Bills Business	129,349,071	52.71	124,704,807	49.34
Bonds Business	108,169,894	44.08	119,869,630	47.42
Equity investment business	1,597,373	0.65	2,243,905	0.89
Others	6,279,825	2.56	5,942,350	2.35
Total assets	245,396,163	100.00	252,760,692	100.00

2.Revenues

Unit: NT\$ thousands

Year Item	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Bills Business	3,161,098	52.38	2,899,265	51.43
Bonds Business	2,080,648	34.48	2,456,226	43.58
Equity investment business	116,082	1.92	136,296	2.42
Others	676,606	11.22	145,053	2.57
Total Revenues	6,034,434	100.00	5,636,840	100.00

II. Business plan of the year

(I) Bills Business

1. Monitor credit customers' business performance and financial positions; gain insight into customers' industry outlook and funding capability for more robust credit decisions.
2. Implement ESG and the responsible lending policy to realize sustainable finance; follow the sustainable finance policies of the competent authority and participate in the financing business for the green industry.
3. Adjust the structure of borrowers and develop the customer sources other than the real estate industry; take the initiative to source NCDs above a certain spread, underwriting guaranteed and guarantee-waiver bills, and lead-arrange or participate in syndicated loan/underwriting projects to expand the source of bills and increase bills revenues, and raise market share.
4. Monitor the Central Bank's monetary policy and movements in the financial market to enable flexible adjustment of primary and secondary deal rates; manage and expand bills portfolio at increased margin to secure a leading position in the market.
5. Maintain long-term relationships with financial institutions and explore general corporate customers of the consistent and low cost of capital; strive to improve capital efficiency and reduce funding cost to accommodate the changing financial environment.

(II) Bonds Business

1. Improve trade performance by timing outright purchases and sales in line with movements and new offerings in the NTD bonds market.
2. Control the timing and deploy foreign currency bonds business with care, disperse country risk and industry risk, in order to increase the overall position's yield and take into account acceptance of risk, research bonds-related products and businesses, and take the chance to underwrite business subject to changes in the market condition, in order to develop diversified sources of profit.
3. Keep paying attention to the green finance issues and implement responsible investment; maintain an appropriate holding position of green bonds in consideration of the cost effectiveness.
4. Purchase convertible bonds of good credit standing and fixed income parts of convertible bonds asset swaps, and thereby increase income source at manageable credit risk level.
5. Engage credit customers in secondary deals of foreign currency bonds; secure source of foreign currency capital from domestic financial institutions by engaging them in interbank funding, currency swaps, and re-purchase agreements; reduce the cost of capital and increase yielding income without compromising liquidity risks.
6. Manage duration of NTD and foreign currency bonds for risk avoidance and gains; allocate capital for greater efficiency and enhance risk management practices and systems.

(III) Equity investment business

1. Improve the research on industries and individual stocks; monitor the business cycle and choose the objects subject to multiple price-volume patterns or other hot market topics as the first priority, and engage in short-term trading at the appropriate time for capital gains.
2. Find out high yields deliver stable profit, excellent dividend payouts and excellent development outlook in various industries; and invest in various industrial stocks on dips or in batches to raise the income steadily.
3. Pay attention to the ESG of the invested companies, and by interaction between both parties and participation in the shareholders' meeting, fulfill the responsibility of an institutional investor for the stewardship by expressing opinions on material issues.

III. Market analysis

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

1. Regions of business operations

The Company operates a total of 9 offices (including the Head Office and branches) throughout the nation. Each office is responsible for overseeing credit, bills, and bonds-related services within the local region.

2. Future market supply, demand and growth

(1) Market changes

1) TDCC and Taiwan Securities Association have launched the “Secondary Market Transaction Order E-Delivery Service”, to improve the efficiency of delivery operations in the bills and bonds markets.

2) In order to implement the effective allocation and rational use of credit resources under the government’s “Robust Real Estate Market Program” and prevent excessive capital from flowing into the real estate market, the Central Bank has adjusted the optional credit control measures four times since December 2020. Meanwhile, in order to control the financial institutions’ loan risk, it continues to conduct the real estate credit project inspections and general business inspections to improve the risk management over loan operations and asset quality, perfect the business administration and facilitate the stability of the financial market. Under the “Act Governing Bills Finance Business,” it prescribes that the ratio of the balance of guarantee provided by a bills house for real estate business to the balance of the total guarantees shall be no more than 30%.

3) In an effort to enhance the role played by financial institutions through collaboration between the public and private sectors, FSC launched the "Green Finance Action Plan 3.0." It aims to promote low-carbon enterprise transformation, disclose climate-related information, and lead Taiwan to transform to a low-carbon or zero-carbon economy through financial institutions' investigations of investment and financing positions, assessments of risk and business opportunity, and strategic planning.

(2) Market conditions

1) Bills market

The lift rate set by the Central Bank on a quarterly basis resulted in an increase in the bills asking rate in the secondary market in 2022. Bills spread reduced in 2022 compared to 2021 because primary market quotes increased less than secondary market quotes increase. In the primary market, the value of CP2 guaranteed by all bills financing businesses in 2022 was NT\$12.77064 trillion, a rise of NT\$1.556988 trillion (or 14.80%) from 2021, when the Company held a 28.26% market share. In 2022, all bills finance businesses conducted transactions worth NT\$35.905950 trillion, a rise of NT\$5.616852 trillion (or 18.54%) from 2021, when the Company had a market share of 30.01%. The business has strengthened the Company status as the best performer in the bills financing sector.

Looking forward to the future, in 2023, various countries will continue to suppress inflation, maintain the tight monetary policy, and keep policy interest rates stay high. As a result, the global market is still full of high uncertainty and rising corporate credit risks. In order to maintain the risk management over loan operations and asset quality, the Company will adopt the stable strategies. In terms of the loan position, as limited by net worth and capital adequacy ratio, the room for the Company's business growth is expected to be limited in 2023; therefore, it will be adjusted downward from 2022. In terms of the bills interest spreads, as the interest rate in the primary market is affected by the price war among peer companies and banks, it is difficult for certain fine-quality customers to raise the spreads any longer and, therefore, it is impossible to reflect the range of increase in the secondary market interest rate timely. It is expected that the overall bills interest spreads might become sluggish in the lift rate cycle; therefore, maintenance of interest spreads has to deal with greater challenges.

2) Bonds market

The stringent monetary policies were all put in place in 2022 by central banks from various countries under the direction of the Fed. Since the beginning of 2022, the US bonds yield has increased rapidly and reached a record high in Q3. The US lift rate policy then signaled that the lift rate would moderate, and the interest rate steadily decreased as a result of the reduction in inflation. However, the duration of the situation depends on the evolution of economic statistics. After all, the interest rate on US bonds is still erratic. The range of lift rates offered by the Central Bank of Taiwan is constrained because Taiwan's inflation rate is thought to be very moderate. The US bonds yields have an impact on the NTD bonds yields. The central bank is anticipated to retain a somewhat tight monetary policy in light of the ongoing economic downturn and unpredictable inflation figures. The NTD bond yields will therefore fluctuate and keep falling, but the inflation data is still unpredictable, it is expected that the central bank will maintain a moderate monetary tightening policy, and the NTD bond yields may be measured based on the Detrended Price Oscillator.

Bonds yields will continue to vary widely in the future, and the cost of capital will rise along with it. As a result, bonds yield spreads will contract and pressure from fund allocation will rise. To lessen the effects of the lift rate cycle on the bonds yield spreads, the Company will in the future purchase portfolios with higher yield rates in response to changes in market conditions and yield rates. It will also build diversified and stable sources of capital.

3) Equity investment business

The TAIEX reached its highest peak ever at the start of 2022, 18,000 points. However, the market was in a panic as a result of the start of the Russia-Ukraine War, rising global inflation, the Fed's hike rate, and the adoption of a tight monetary policy, which led to the TAIEX dropping along with the global stock markets. Additionally, international investors started selling the equities. As a result, the TAIEX dropped 4,081 points (-22.4%) during the

course of the year. Looking ahead to 2023, the economy's growth will slow down as a result of the electronics industry's 1H inventory adjustment. The consumption momentum is anticipated to revive if the inflation is reduced. The economic revival in China might also be helped by the easing of the lockdown policy. After a downturn, the stock price has reflected the majority of the unfavorable causes. Although it is anticipated that the downside risk would be modest, a variety of factors could at any time have an impact on how the market is trading. Future volatility may still have a wide distribution, which might make operations much more challenging.

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

1. Advantageous Factors

- (1) With the advancement of FinTech, continue to streamline internal operating procedures and improve the organization's operational efficiency.
- (2) With the Group's extensive resources, items and sales may be merged for marketing to aid in business development.
- (3) Following the adoption of ESG policies by the competent authority, the integration of sustainable finance, lending, and investment operations may help diffuse market risk even further.
- (4) In reaction to the high inflation, all central banks throughout the world implemented tight monetary policy. Enterprises' propensity to underwrite FRCP would increase during the lift rate cycle in order to avoid interest rate risk.

2. Disadvantageous Factors

- (1) The central banks continue the optional credit control and further restrict the capital flow to the real estate industry, thus affecting the new business development in the real estate industry.
- (2) There is an increasing variety of funding channels in the financial market today and, meanwhile, banks compete in the underwriting of guarantee-waiver CPs in the primary market. All of these have the potential to undermine the business expansion efforts of bills finance companies.
- (3) Domestic and foreign economic growth is becoming sluggish. Geopolitical risks and inflationary pressures remain. Major economies continue to adopt the

tight monetary policy. The market is still full of multiple uncertain factors, and the credit risk stays high relatively. Meanwhile, the secondary market interest rate reflects the increasing expectations toward lift rate. However, due to the impact posed by the price competition, the primary market interest rate cannot be reflected immediately at the stage of lift rate, and the bills interest spread is limited accordingly.

- (4) In 2023, Fed will slow down the pace of lift rate. However, the term of terminal interest rate varies depending on the development of economic data. It is expected that the market yield volatility will intensify, thus increasing the difficulty in management of bonds trading. Meanwhile, the cost of capital is likely to increase and thereby erodes the bonds yield income.

3. Responsive strategies

- (1) Adjust the structure of borrowers and develop the customer sources other than the real estate industry; take the initiative to source NCDs above a certain spread, underwriting guaranteed and guarantee-waiver bills, and lead-arrange or participate in syndicated loan/underwriting projects to expand the source of bills and increase bills revenues, and raise market share.
- (2) Build position in foreign currency bonds and explore diverse foreign currency funding channels. Enhance foreign currency funding capabilities and spread.
- (3) Maintain long-term relationships with financial institutions and explore general corporate customers of the consistent and low cost of capital; strive to improve capital efficiency and reduce funding cost to accommodate the changing financial environment.
- (4) Given the interest rate and exchange rate risks presented by foreign currency bonds, the Company will aim to reduce overall exposure by undertaking USD bonds futures, USD interest rate swaps and foreign currency derivatives at the appropriate times.
- (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.

IV. Financial Product Research and Overview of Business Development

(I) Premium financial products and new banking units, their sizes and status of profit for the most recent two years and until the date of publication of this annual report: None.

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

1. R&D expenses

Unit: NT\$ thousands

Item	R&D expenses	
	2022	2021
Cost of employee participation in various research and training programs	1,645	1,394

2. R&D results

(1) 2021

- 1) Coordinated with Taiwan Depository & Clearing Corporation on the implementation of the “Digital Supervision and Reporting for Bills Finance Companies,” a big data-driven and integrated reporting channel; continued working with Taiwan Depository & Clearing Corporation on phase 2 (market-wide) implementation of electronic delivery for secondary market trade documents, and developed relevant information systems.
- 2) Coordinated with Financial Information Service Co. Ltd. on the promotion of financial blockchain confirmation service and the implementation of the “Bills Confirmation” system to improve efficiency.
- 3) Coordinated with bonds passbook digitalization task force of Taiwan Securities Association on the digital transformation of bonds passbooks and trade confirmations, thereby providing customers with efficient and low-cost settlement service.
- 4) Replaced physical machines with new virtual machines (VM) to improve stability and efficiency of the electronic bonds trading system.
- 5) Upgraded the database system in consideration of information security to meet the requirements and improve operational efficiency.
- 6) Introduced the electronic document system to facilitate and accelerate the digitalization policy of the Group.

7) Developed the “Automated Financial Statement Preparation” system to improve financial statement preparation efficiency of the Company.

(2) 2022

1) In response to Taiwan Depository & Clearing Corporation (TDCC) and Taiwan Securities Association, establish the electronic system for transaction orders with the general investors in the secondary market of bills and bonds and provide customers with high-performance and low-cost delivery services.

2) According to the TDCC’s BCSS delivery system, the Company develops the inter-company transaction e-order function between the head office and branches to streamline the manual operations and postage, and increase the rapid enquiry for settlement service.

3) Establish the U.S. Treasury Bonds futures trading system to cope with the significant volatility of bonds yields and increase the diversity of bonds transactions.

4) Add the service for providing customers with a copy of the transaction note via email to check the trading conditions, in order to reduce man-made errors.

5) Continue to optimize the system for self-preparation of financial report, improve the review procedure and optimize the production process of draft of financial statements to accelerate the production of financial statements.

6) Purchase APT network advanced persistent attack defense system to prevent hackers’ invasion.

7) Establish the ESG risk assessment mechanism for investment and financing business, and guide customers to care the sustainable value.

(3) Future R&D plans

1) Replace the core system host integration system to improve the operating efficiency and help digital development.

2) Establish the E-loan credit investigation procedure management system to enable the management and case handlers to check the list of cases quickly, improve the accuracy of data and business processing efficiency, save paper, and help perfect the telecommuting planning.

- 3) Establish the laws & regulations system to collect external laws and regulations and follow up the working hours for amendments to internal regulations, in order to reduce man-made errors and improve efficiency.
- 4) Optimize the online learning platform system to improve the learning function and effect.
- 5) Continue to optimize the ESG-related systems to support the green industry and promote the society's sustainable development.

V. Long-term and short-term business plans

(I) Short-term

1. Monitor credit customers' business performance and financial positions; gain insight into customers' industry outlook and funding capability for more robust credit decisions.
2. Adjust the structure of borrowers and develop the customer sources other than the real estate industry; take the initiative to source NCDs above a certain spread, underwriting guaranteed and guarantee-waiver bills, and lead-arrange or participate in syndicated loan/underwriting projects to expand the source of bills and increase bills revenues.
3. Monitor the Central Bank's monetary policy and movements of the financial market to enable flexible adjustment of primary and secondary terms and deal rates; manage the timing of entry/exit of bills position with care to expand the issuance of bills and interest spread, and maintain the leadership in the market.
4. Closely monitor COVID-19 and Russia-Ukraine War situation as well as political, economic, and interest rate changes local and abroad, and make flexible adjustments to TWD and foreign currency bonds holding positions. Strive to explore low-interest and stable capital sources in TWD and foreign currency bonds, thereby maximizing yielding income.
5. Build position of shares that offer good credibility and yield to replace corporate bonds of relatively low interest; search for quality CB and CBAS while at the same time increasing the equity trading positions considering that TAIEX has made correction.

6. Promote responsible lending and investment in line with the implementation plan of the group's sustainable finance policy to fulfill the institutional investor's stewardship.
7. Continue optimization of the AML/CFT information systems, improve the effectiveness of customer name screening and case management efficiency, and organize AML compliance testing and risk-based education and training.
8. Continue enhancing the efficiency of the information system and internal operation; establish the report management, accounting standard operating platform, improve the operating efficiency, adopt enhanced information security protection measures and training as means to reduce security threats.
9. Promote the use of the paperless conference system, paperless report management system, electronic document system and leave application system to conserve the Earth's resources and thereby contribute to the Company's corporate social responsibilities.

(II) Long-term

1. Strengthen the position as market leader of the bills and bonds business.
2. Adjust borrower structure and maintain appropriate size and margin on bills guarantee service.
3. Prioritize the assessment on the corporate ESG practices, and raise the proportion of responsible banking and responsible investment step by step.
4. Continue building a bonds position in response to interest rate changes, and maintain the appropriate size of repurchase agreements to secure profitability.
5. Continue exploring customers in the secondary market; strive to lower funding cost for improvements in terms of trading spread and operating performance.
6. Plan and seek the authority's approval for new service categories and additional counterparties, thereby expanding the scope of service and source of capital.
7. To integrate the group resources and explore the synergy of cross-selling.
8. Improve system efficiency and enhance information security practices.
9. Continue the talent development and cultivation planning, and optimize the online learning platform system to improve the learning functions and results.
10. Reasonable allocation of capital; improve capital efficiency; strengthen existing risk management and systems.

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

Year		2021	2022	Up to March 31, 2022
Number of employees	Staff	220	223	221
	Total	220	223	221
Average age		45.03	44.47	44.47
Average length of service		15.32	14.68	14.69
Distribution of academic background	PhD	0	0	0
	Master	117	122	122
	Bachelor	100	98	96
	Senior high school	3	3	3
	Below senior high school	0	0	0
Professional certificates held by employees	Bills Finance Specialist	218	222	219
	Securities Investment Analyst	10	10	10
	Senior Securities Specialist	166	165	163
	Securities Specialist	88	98	97
	Securities Investment Trust and Consulting Professional	93	96	96
	Trust Operations Personnel	126	132	131
	Futures Specialist	71	71	69
	Derivatives Sales Personnel	11	13	13
	Anti-money Laundering (AML) and Combating Terrorism Financing Specialist	10	10	10
	Bank Internal Control Specialist	108	108	107
	Financial Planning Personnel	67	63	62
	Basic Foreign Exchange Personnel	25	26	27
	Basic Bank Lending Personnel	57	61	60
	Advanced Bank Lending Personnel	5	5	5
	Senior Examination - CPA	3	3	3
	US Chartered Financial Analyst (CFA)	1	1	1
Financial Risk Manager (FRM)	6	6	6	

Three. Corporate Responsibility and Ethical Conduct

Please refer to pages 44 and 50 of the Corporate Governance Report, titled “Implementation Status of Sustainable Development” and “Fulfillment of Ethical Corporate Management.”

Four. The number and the average and median salary of the full-time non-managerial employees, and the difference of these three data from those in the previous year.

Unit: NT\$ thousands

Year	2022	2021	Difference (%)
Employee count (Note)	237	227	4.41%
Mean salary	1,657	1,841	-9.99%
Average and median salary	1,362	1,511	-9.86%

Note: Weighted average employee count at each month-end.

Financial Statements

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

I. Condensed balance sheets and income statements

Condensed balance sheets

Unit: NT\$ thousands

Item	Year	Financial information for the last five years				
		2022	2021	2020	2019	2018
Cash, cash equivalents, deposit at Central Bank and peer banks		351,332	337,259	310,489	356,298	326,207
Financial assets at fair value through profit and loss		138,802,548	132,751,383	159,366,161	127,382,706	126,577,565
Financial Assets at Fair Value Through Other Comprehensive Income		100,475,481	114,538,586	139,211,496	126,416,773	131,955,095
Debt Instruments Carried at Cost After Amortization		449,151	402,162	406,437	431,553	440,070
Bills and bonds purchased under resale agreements		-	-	-	-	-
Receivables - net		1,073,254	1,120,769	1,404,106	2,303,800	1,534,617
Other financial assets - net		471,170	504,509	471,412	585,426	497,703
Property, plant and equipment - net		362,935	353,761	356,187	353,131	363,438
Right-of-use assets - net		148,905	12,249	36,870	73,532	-
Investment properties - net		2,464,440	2,475,104	2,485,768	2,496,432	2,507,096
Intangible assets - net		7,403	8,529	6,522	6,195	4,140
Deferred income tax assets - net		724,536	197,736	185,044	135,853	532,673
Other assets		65,008	58,645	64,974	59,540	49,956
Total assets		245,396,163	252,760,692	304,305,466	260,601,239	264,788,560
Interbank overdraft and call loans		7,982,322	17,350,762	17,012,187	14,132,031	23,074,279
Financial liabilities at fair value through profit and loss		94,673	29,122	-	2,475	5,892
Bills and bonds payable under repurchase agreements		197,969,284	189,737,223	241,164,641	204,173,461	202,310,405
Payables		554,995	531,342	507,353	592,668	560,256
Current income tax liabilities		445,735	632,641	544,324	136,891	69,738
Liabilities reserve		2,576,840	2,985,472	2,823,445	2,589,139	2,696,915

Item \ Year		Financial information for the last five years				
		2022	2021	2020	2019	2018
Lease liabilities		149,269	12,127	37,070	73,785	-
Deferred income tax liabilities		32,178	244,851	607,047	324,149	86,060
Other liabilities		407,070	251,387	202,476	299,415	356,264
Total liabilities	Before allocation	210,212,366	211,774,927	262,898,543	222,324,014	229,159,809
	After allocation	Note	214,056,834	264,806,690	224,152,163	231,284,344
Equity attributable to parent company shareholders		35,183,797	40,985,765	40,985,765	41,406,923	38,277,225
Capital stock	Before allocation	13,114,411	13,114,411	13,114,411	13,114,411	13,114,411
	After allocation	Note	13,114,411	13,114,411	13,114,411	13,114,411
Capital surplus		320,929	320,929	320,929	320,929	320,929
Retained earnings	Before allocation	25,539,109	24,745,092	23,393,231	22,499,419	22,012,449
	After allocation	Note	22,463,185	21,485,084	20,671,270	19,887,914
Other equity		(3,790,652)	2,805,333	2,805,333	4,578,352	2,342,466
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before allocation	35,183,797	40,985,765	41,406,923	38,277,225	35,628,751
	After allocation	Note	38,703,858	39,498,776	36,449,076	33,504,216

Note: As of the annual report's publication date, the 2022 profit distribution proposal has been approved by the Board of Directors. However, the Board of Directors has not yet passed the resolutions of the General Shareholders Meeting on behalf of the shareholders.

Summary Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial information for the last five years				
	2022	2021	2020	2019	2018
Interest Income	3,348,239	2,702,451	3,245,618	3,490,129	3,446,303
Less: Interest Expense	(1,509,561)	(503,632)	(1,050,854)	(1,940,494)	(1,603,543)
Interest income, net	1,838,678	2,198,819	2,194,764	1,549,635	1,842,760
Revenues other than interest income, net	2,388,388	2,797,855	2,489,776	2,351,222	1,934,919
Net income	4,227,066	4,996,674	4,684,540	3,900,857	3,777,679
Provisions	308,285	(132,586)	(252,093)	69,684	54,058
Operating expenses	(833,849)	(868,279)	(827,041)	(804,561)	(769,140)
Income before income tax from operating unit	3,701,502	3,995,809	3,605,406	3,165,980	3,062,597
Income tax (expense) gain	(661,219)	(717,847)	(674,409)	(540,628)	(504,516)
Net income (loss) from operating unit	3,040,283	3,277,962	2,930,997	2,625,352	2,558,081
Income (loss) from discontinued operations	-	-	-	-	-
Net Income (loss)	3,040,283	3,277,962	2,930,997	2,625,352	2,558,081
Other comprehensive income for the current period (net of tax expense)	(6,560,344)	(1,790,973)	2,026,850	2,147,657	(1,386,976)
Comprehensive Income for the current period	(3,520,061)	1,486,989	4,957,847	4,773,009	1,171,105
Income attributable to parent company shareholders for the current period	3,040,283	3,277,962	2,930,997	2,625,352	2,558,081
Income attributable to non-controlling shareholders for the current period	-	-	-	-	-
Comprehensive income attributable to parent company shareholders for the current period	(3,520,061)	1,486,989	4,957,847	4,773,009	1,171,105
Comprehensive income attributable to non-controlling shareholders for the current period	-	-	-	-	-
EPS (NT\$)	2.32	2.50	2.23	2.00	1.95

II. Independent Auditor's Names and Opinion

Year	Name of accounting firm	CPA's Name	Audit opinion
2022	PricewaterhouseCoopers, Certified Public Accountants	Po-Ju Kuo, Chung-Hsi Lai	Unqualified opinion
2021	PricewaterhouseCoopers, Certified Public Accountants	Po-Ju Kuo, Chung-Hsi Lai	Unqualified opinion
2020	PricewaterhouseCoopers, Certified Public Accountants	Po-Ju Kuo, Chung-Hsi Lai	Unqualified opinion
2019	PricewaterhouseCoopers, Certified Public Accountants	Po-Ju Kuo, Chung-Hsi Lai	Unqualified opinion
2018	PricewaterhouseCoopers, Certified Public Accountants	Shu-Mei Ji, Chung-Hsi Lai	Unqualified opinion

Two. Financial analysis for the last five years

Unit: NT\$ thousands; %

Item		Year	Financial information for the recent five years				
			2022	2021	2020	2019	2018
Managerial ability	Average number of days of bills and bonds holding	10.08	9.55	8.49	7.60	6.26	
	NPL ratio	0.01	0	0	0	0	
	Total assets turnover rate	0.02	0.02	0.02	0.01	0.01	
	Average yield per employee	18,955	22,712	21,993	18,936	18,609	
	Average profit per employee	13,634	14,900	13,761	12,744	12,601	
Profitability	ROA (%)	1.22	1.18	1.04	1.00	0.94	
	ROE (%)	7.98	7.96	7.36	7.10	7.11	
	Net profit margin (%)	71.92	65.60	62.57	67.30	67.72	
	EPS (NT\$)	2.32	2.50	2.23	2.00	1.95	
Financial structure	Liability to total assets ratio (%)	84.75	82.78	85.60	84.49	85.71	
	Property and equipment to stockholder equity ratio (%)	1.03	0.86	0.86	0.92	1.02	
Growth rate	Asset growth rate (%)	-2.91	-16.94	16.77	-1.58	-5.38	
	Profit growth rate (%)	-7.37	10.83	13.88	3.38	-4.64	
Cash flow	Cash flow ratio (%)	5.68	0.80	N/A	5.10	4.20	
	Cash flow adequacy ratio (%)	336.38	226.44	206.27	265.71	233.62	
Credit extended to stakeholders		0	0	0	0	97,000	
Percentage of credits extended to stakeholders (%)		0	0	0	0	0.06	
Scale of operations	Asset market share (%)	23.60	24.00	27.55	25.98	26.15	
	Net value market share (%)	29.19	29.75	29.74	29.80	28.80	
	Market share for guaranteed CP2(%)	29.99	30.53	30.16	30.03	30.08	
	Market share for each type of bills and bonds issue and first time purchase (%)	27.41	25.28	25.57	26.18	26.11	
	Market share for each type of bills and bonds transaction (%)	25.93	26.33	26.70	27.15	29.78	
Capital adequacy ratio	Capital adequacy ratio (%)	13.56	13.41	13.21	13.58	13.57	
	Eligible capital	34,036,972	39,029,515	38,990,116	36,622,230	34,898,052	
	Total value of risk assets	250,945,272	291,004,134	295,070,091	269,696,338	257,108,287	
	Tier 1 capital as a % of total risk-weighted assets	13.53	12.95	12.39	13.16	13.57	
Significant variations in the last 2 years: (for variations above 20%)							
1. Asset growth rate increased mainly due to slower decrease in bonds holding positions compared to the previous year.							
2. The decrease in the profit growth rate was primarily a result of the decrease in proceeds from disposal of the bonds in the current period, resulting in the decrease in the net profit before tax.							
3. The increase in cash flow ratio and cash flow adequacy ratio was primarily a result of the increase in RP bills and bonds in the current period, resulting in the increase in net cash inflow from operating activities.							

Note: Equations for analysis items:

1. Managerial ability

- (1) Average number of days of bills and bonds holdings = $365/\text{bills/bonds turnover rate}$
(Bills/bonds turnover rate = Amount of each type of bills or bonds transaction/average balance of each installment of bills or bonds).
- (2) NPL ratio = $\text{NPL (including non-accrual loans)}/\text{total loans (including non-accrual loans)}$.
- (3) Total assets turnover rate = $\text{Income}/\text{average total assets}$.
- (4) Average yield per employee = $\text{Income}/\text{total number of employees}$.
- (5) Average profit per employee = $\text{Income after tax}/\text{total number of employees}$.

2. Profitability

- (1) $\text{ROA} = \text{Income after tax}/\text{average total assets}$.
- (2) $\text{ROE} = \text{Income after tax}/\text{average equity, net}$.
- (3) Net profit margin = $\text{Income after tax}/\text{income}$. (Income = interest income + revenues other than interest income).
- (4) Earnings per share = $(\text{income and loss attributed to owners of parent company} - \text{dividends of the preferred stocks})/\text{weighted average numbers of outstanding shares}$.

3. Financial structure

- (1) Liability to total assets ratio = $\text{Total liabilities}/\text{total assets}$.
- (2) Property and equipment to stockholders' equity ratio = $\text{Property and equipment net}/\text{total stockholders' equity}$.
- (3) Total liabilities should exclude allowances for the guarantee liability.

4. Growth rate

- (1) Asset growth rate = $(\text{Total assets in current period} - \text{total assets for the previous period})/\text{total assets for the previous year}$.
- (2) Profit growth rate = $(\text{Income before tax in current period} - \text{income before tax for the previous year})/\text{income before tax for the previous year}$.

5. Cash flow

- (1) Cash flow ratio = $\text{Net cash flow from operating activities}/(\text{interbank overdraft and call loans} + \text{commercial promissory note payable} + \text{financial liabilities at fair value through profit and loss} + \text{bills and bonds payable under repurchase agreements} + \text{payables} - \text{current portion})$.
- (2) Net cash flows adequacy ratio = $\text{Net cash flow from operating activities for the most recent five years}/(\text{capital expenditure} + \text{cash dividends})$ for the most recent five years.

6. Scale of operations

- (1) Asset market share = $\text{Total assets}/\text{total assets of all bills financial companies}$.
- (2) Net value market share = $\text{Net value}/\text{total net of all bills financial companies}$.
- (3) Market share for guaranteed CP2 = $\text{Balance of guaranteed CP2}/\text{total balance of CP2 guaranteed and endorsed by all bills financial companies}$.
- (4) Market share for each type of bills and bonds issue and first time purchase = $\text{Amount of each type of bills and bonds issue and first time purchase}/\text{total amount of each type of bills and bonds issue and first purchase by all bills financial companies}$.
- (5) Market share for each type of bills and bonds transaction = $\text{Amount of each type of bills and bonds transaction}/\text{total amount of each type of bills and bonds transaction by all bills financial companies}$.

7. Capital adequacy ratio

- (1) Capital adequacy ratio = $\text{Eligible capital}/\text{total risk assets}$.
- (2) Eligible capital = $\text{Tier I capital} + \text{Tier II eligible capital} + \text{Tier III eligible and used capital}$.
- (3) Total risk assets = $\text{Credit risk weighted risk assets} + (\text{operational risk capital requirement} + \text{market risk capital requirements}) \times 12.5$.
- (4) Ratio of Tier I capital to risk - weighted assets = $\text{Tier I capital}/\text{total risk assets}$.

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

Supervisor's Audit Report

The Company's Board of Directors produced the 2022 annual business report, financial statements, property inventory, and profit distribution proposal. Among them, the financial statements have been checked and certified by PricewaterhouseCoopers CPAs Po-Ju Kuo and Chung-Hsi Lai. The supervisors found no misstatements in the business reports, financial statements, property registries or earnings appropriation proposals above, and have issued this review report in accordance with Article 219 of the Company Act and Article 36 of the Securities and Exchange Act.

To

Mega Bills Finance Co., Ltd. 2023 General Shareholders' Meeting

Supervisor: Chi-Ho Chen

Supervisor: Yung-Chen Huang

February 21, 2023

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

INDEPENDENT AUDITORS' REPORT

PWCR22002967

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

Opinion

We have audited the accompanying balance sheets of Mega Bills Finance Co., Ltd. as at December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mega Bills Finance Co., Ltd. as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of Mega Bills Finance Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of Mega Bills Finance Co., Ltd.'s 2022 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter for Mega Bills Finance Co., Ltd.'s 2022 financial statements is stated as follows:

Reserve for guarantee liabilities of financial guarantee contracts

Description

For the accounting policy for reserve for guarantee liabilities of financial guarantee contracts, please refer to Note 4(19) of the financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of reserve for guarantee liabilities, please refer to Note 5(1) of the financial statements; As of December 31, 2022, Mega Bills Finance Co., Ltd. provisioned NT\$2,231,446 thousand for the reserve of guarantee liabilities. Please refer to Note 6(17) for details of the account.

Mega Bills Finance Co., Ltd. provisions the reserve for guarantee liability of financial guarantee contracts that are assessed under IFRS 9, 'Financial instruments'. Mega Bills Finance Co., Ltd. also sets out relating policy and adopts provision model to ensure the recognition in a proper manner. Provision model and parameter assumptions are adopted with reference to actual loss rate in the past years and annual macro-economic projections in terms of business cycle released by government agencies. If the credit risk of debtor has not been significantly increased since initial recognition, 12-month ECLs is recognized. If the credit risk of debtor has been significantly increased since initial recognition, lifetime ECLs is recognized after taking into consideration factors such as any adverse change resulted from the debtor's repayment history, industrial information related to payment overdue and the collateral's value. In addition, 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 related regulations, after off balance sheet credit assets are classified according to the status of their loan collaterals and length of time in arrears, the reserves for guarantee liabilities are calculated, based on the classification amounts and respective fixed rates, to determine the appropriate amount of provisions, therein allowing the reserve for guarantee liabilities to be adequately provisioned.

Because the aforementioned assessment of the possibility of guarantee obligation occurrences from financial guarantee contracts and the assessment of the amount of possible losses involve subjective judgment and numerous assumptions and estimates, we believe the method of determining assumptions and estimates will directly affect related recognized amounts. Thus, we have included the reserve for guarantee liabilities of financial guarantee contracts as the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to the specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Understood and assessed Mega Bills Finance Co., Ltd.'s policies, internal control and processing procedures related to the provision of reserve for guarantee liabilities;
2. Assessed the measurement indicators of significant increase in credit risk, and conduct sampling inspection to measure the classification of expected credit loss reduction stages;
3. Sampled and checked the default probability, loss rate, forward-looking economic factors and other guarantee liabilities calculation parameters;
4. Tested a sample selection of appraisal reports on the debtor's collateral to assess estimated future cash flows and assumptions are reasonable and whether the calculation is accurate;
5. Sampled and tested whether the amount of guarantee liabilities provision is in accordance with the 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance 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 that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Mega Bills Finance Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mega Bills Finance Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing Mega Bills Finance Co., Ltd.'s financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mega Bills Finance Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on liquidate Mega Bills Finance Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Mega Bills Finance Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Kuo, Puo-Ju

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 21, 2023

The accompanying financial statements are not intended to present the financial position and financial performance 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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice.

MEGA BILLS FINANCE CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
11000	Cash and cash equivalents	6(1) and 7	\$ 351,332	-	\$ 337,259	-
12000	Financial assets at fair value through profit or loss	6(2)(7), 7 and 8	138,802,548	57	132,751,383	53
12100	Financial assets at fair value through other comprehensive income	6(3)(7), 7 and 8	100,475,481	41	114,538,586	45
12200	Investments in debt instruments at amortised cost	6(4)(7)	449,151	-	402,162	-
13000	Receivables – net	6(6)	1,073,254	1	1,120,769	1
15500	Other financial assets – net	6(9), 7 and 8	471,170	-	504,509	-
18500	Property and equipment – net	6(10)	362,935	-	353,761	-
18600	Right of use asset – net	6(11) and 7	148,905	-	12,249	-
18700	Investment property – net	6(12)	2,464,440	1	2,475,104	1
19000	Intangible assets – net		7,403	-	8,529	-
19300	Deferred income tax assets	6(30)	724,536	-	197,736	-
19500	Other assets – net	6(13) and 7	65,008	-	58,645	-
	TOTAL ASSETS		<u>\$ 245,396,163</u>	<u>100</u>	<u>\$ 252,760,692</u>	<u>100</u>
Liabilities and equity						
21000	Interbank overdraft and call loans	6(14), 7 and 8	\$ 7,982,322	4	\$ 17,350,762	7
22000	Financial liabilities at fair value through profit or loss	6(15)	94,673	-	29,122	-
22500	Bills and bonds payable under repurchase agreements	6(2)(3)(4)(5)(7) and 7	197,969,284	81	189,737,223	75
23000	Payables	6(16)	554,995	-	531,342	-
23200	Current income tax liabilities	6(30) and 7	445,735	-	632,641	1
25600	Provisions for liabilities	6(17)(18)	2,576,840	1	2,985,472	1
26000	Lease liabilities	6(11) and 7	149,269	-	12,127	-
29300	Deferred income tax liabilities	6(30)	32,178	-	244,851	-
29500	Other liabilities		407,070	-	251,387	-
	TOTAL LIABILITIES		<u>210,212,366</u>	<u>86</u>	<u>211,774,927</u>	<u>84</u>
31101	Common stocks	6(19)	13,114,411	5	13,114,411	5
31500	Capital surplus	6(20)	320,929	-	320,929	-
32000	Retained earnings	6(21)				
32001	Legal reserve		22,247,989	9	21,269,986	9
32003	Special reserve		203,090	-	203,090	-
32005	Unappropriated retained earnings		3,088,030	1	3,272,016	1
32500	Other equity interest		(3,790,652)	(1)	2,805,333	1
	TOTAL EQUITY		<u>35,183,797</u>	<u>14</u>	<u>40,985,765</u>	<u>16</u>
	TOTAL LIABILITIES AND EQUITY		<u>\$ 245,396,163</u>	<u>100</u>	<u>\$ 252,760,692</u>	<u>100</u>

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

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31				Changes Percentage (%)
		2022		2021		
		AMOUNT	%	AMOUNT	%	
41000 Interest income	6(22) and 7	\$ 3,348,239	79	\$ 2,702,451	54	24
51000 Less : interest expense	6(22) and 7	(1,509,561)	(36)	(503,632)	(10)	200
		1,838,678	43	2,198,819	44	(16)
Non-interest income, net						
49100 Service fee and commission income, net	6(23) and 7	1,230,816	29	1,278,889	26	(4)
49200 Gain or loss from financial assets and liabilities at fair value through profit or loss	6(2)(15)(24) and 7	411,015	10	736,892	15	(44)
49310 Realized gain on financial assets at fair value through other comprehensive income	6(3)(25)	575,454	14	649,179	13	(11)
49600 Foreign exchange gain or loss		18,646	-	(9,511)	-	(296)
55000 Reversal of impairment loss on assets	6(3)(4)(6)	1,899	-	20,911	-	(91)
49800 Other non-interest income or loss, net						
49851 Leasehold income	7	115,735	3	114,270	2	1
49899 Others		34,823	1	7,225	-	382
		4,227,066	100	4,996,674	100	(15)
58200 Provisions	6(26)	308,285	8	(132,586)	(3)	(333)
Operating expenses						
58500 Employee benefit expense	6(18)(27)	(585,151)	(14)	(619,948)	(12)	(6)
59000 Depreciation and amortization	6(10)(11)(12)(28)	(71,448)	(2)	(69,801)	(1)	2
59500 Other business and administrative expenses	6(29) and 7	(177,250)	(4)	(178,530)	(4)	(1)
		(833,849)	(20)	(868,279)	(17)	(4)
61001 Income before income tax from operating unit		3,701,502	88	3,995,809	80	(7)
61003 Income tax expense	6(30)	(661,219)	(16)	(717,847)	(14)	(8)
64000 Net income		3,040,283	72	3,277,962	66	(7)
Other comprehensive income						
Not reclassifiable to profit or loss:						
65201 Remeasurement of defined benefit plans	6(18)	45,899	1	(22,451)	-	(304)
65204 Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	6(3)	(540,930)	(13)	501,937	10	(208)
65220 Income tax relating to items that are not reclassifiable to profit or loss	6(30)	(9,180)	-	4,490	-	(304)
Potentially reclassifiable to profit or loss subsequently:						
65308 Losses on investments in debt instruments measured at fair value through other comprehensive income	6(3)	(6,821,893)	(161)	(2,571,060)	(52)	165
65320 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	765,760	18	296,111	6	159
65000 Total other comprehensive loss, net of tax		(6,560,344)	(155)	(1,790,973)	(36)	266
66000 Total comprehensive (loss) income		(\$ 3,520,061)	(83)	\$ 1,486,989	30	(337)
67500 Earnings per share						
Basic and diluted earnings per share	6(31)	\$	2.32	\$	2.50	

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

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Retained Earnings					Other equity interest	Total equity
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Gains or losses on financial assets measured at fair value through other comprehensive income	
<u>For the year ended December 31, 2021</u>							
Balance at January 1, 2021	\$ 13,114,411	\$ 320,929	\$ 20,453,398	\$ 203,090	\$ 2,736,743	\$ 4,578,352	\$ 41,406,923
Net income for 2021	-	-	-	-	3,277,962	-	3,277,962
Total other comprehensive loss for 2021	-	-	-	-	(17,961)	(1,773,012)	(1,790,973)
Total comprehensive income (loss) for 2021	-	-	-	-	3,260,001	(1,773,012)	1,486,989
Appropriation of 2020 earnings							
Legal reserve	-	-	816,588	-	(816,588)	-	-
Cash dividends	-	-	-	-	(1,908,147)	-	(1,908,147)
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7	(7)	-
Balance at December 31, 2021	<u>\$ 13,114,411</u>	<u>\$ 320,929</u>	<u>\$ 21,269,986</u>	<u>\$ 203,090</u>	<u>\$ 3,272,016</u>	<u>\$ 2,805,333</u>	<u>\$ 40,985,765</u>
<u>For the year ended December 31, 2022</u>							
Balance at January 1, 2022	\$ 13,114,411	\$ 320,929	\$ 21,269,986	\$ 203,090	\$ 3,272,016	\$ 2,805,333	\$ 40,985,765
Net income for 2022	-	-	-	-	3,040,283	-	3,040,283
Total other comprehensive income (loss) for 2022	-	-	-	-	36,719	(6,597,063)	(6,560,344)
Total comprehensive income (loss) for 2022	-	-	-	-	3,077,002	(6,597,063)	(3,520,061)
Appropriation of 2021 earnings							
Legal reserve	-	-	978,003	-	(978,003)	-	-
Cash dividends	-	-	-	-	(2,281,907)	-	(2,281,907)
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,078)	1,078	-
Balance at December 31, 2022	<u>\$ 13,114,411</u>	<u>\$ 320,929</u>	<u>\$ 22,247,989</u>	<u>\$ 203,090</u>	<u>\$ 3,088,030</u>	<u>(\$ 3,790,652)</u>	<u>\$ 35,183,797</u>

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

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from operating units		\$ 3,701,502	\$ 3,995,809
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	62,931	61,766
Amortization	6(28)	8,517	8,035
(Reversal) provision for bad debts and various reserves	6(26)	(307,891)	132,904
Interest income	6(22)	(3,348,239)	(2,702,451)
Dividend income	6(25)	(510,059)	(135,315)
Interest expense	6(22)	1,509,561	503,632
Reversal of impairment loss on assets		(1,899)	(20,911)
Gain on disposal of property and equipment		(47)	-
Changes in operating assets and liabilities			
Changes in operating assets			
(Increase) decrease in financial assets at fair value through profit or loss		(6,051,165)	26,614,778
Decrease in financial assets at fair value through other comprehensive income		6,702,241	22,624,519
(Increase) decrease in investments in debt instruments measured at amortised cost		(47,017)	4,302
Decrease (increase) in receivables		127,607	(182,842)
Decrease (increase) in other financial assets		33,339	(33,097)
(Increase) decrease in other assets		(9,423)	2,902
Changes in operating liabilities			
Increase in financial liabilities at fair value through profit or loss		65,551	29,122
Increase (decrease) in bills and bonds payable under repurchase agreements		8,232,061	(51,427,418)
(Decrease) increase in payables		(99,478)	31,391
(Decrease) increase in provisions for liabilities		(47,587)	6,672
Increase in other liabilities		155,683	48,911
Interest received		3,260,860	3,168,874
Interest paid		(1,386,430)	(511,034)
Dividend received		510,059	135,288
Income tax paid		(831,018)	(703,817)
Net cash flows from operating activities		<u>11,729,659</u>	<u>1,652,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	6(10)	(22,721)	(11,526)
Proceeds from disposal of property and equipment		47	-
Acquisition of intangible assets		(1,270)	(3,949)
Acquisition of other assets		(3,061)	(2,731)
Net cash flows used in investing activities		<u>(27,005)</u>	<u>(18,206)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in interbank overdraft and call loans		(9,368,440)	338,575
Principal repayments of lease liabilities		(38,234)	(37,472)
Payments of cash dividends		(2,281,907)	(1,908,147)
Net cash flows used in financing activities		<u>(11,688,581)</u>	<u>(1,607,044)</u>
Net increase in cash and cash equivalents		14,073	26,770
Cash and cash equivalents at beginning of year	6(1)	337,259	310,489
Cash and cash equivalents at end of year	6(1)	<u>\$ 351,332</u>	<u>\$ 337,259</u>

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

Risk Management

One. Quantitative information about various risks:

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

March 31, 2023

Unit: NT\$ thousands

Exposure type	Capital requirement	Risk-weighted assets
Sovereign state	0	0
Non-central government public sectors	5,116	63,944
Bank (including multilateral development banks)	164,899	2,061,240
Corporate (including securities and insurance company)	13,461,969	168,274,611
Retail creditor's right	12,360	154,507
Investments in equity securities	699	8,739
Credit extended to parent company or subsidiary and credit secured by marketable securities issued by parent company or subsidiary	0	0
Other assets	293,216	3,665,199
Total	13,938,259	174,228,240

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

March 31, 2023

Unit: NT\$ thousands

Year	Gross Profits	Capital requirement	Risk-weighted assets
2022	4,190,344		
2021	4,968,538		
2020	4,694,495		
Total	13,853,377	692,669	8,658,363

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

March 31, 2023

Unit: NT\$ thousands

Type	Capital requirement	Risk-weighted assets
Interest rate risk	5,599,163	69,989,548
Equity security risk	442,449	5,530,610
Foreign exchange risk	139,679	1,745,985
Product risk	0	0
Stock option processed with simplified method	0	0
Total	6,181,291	77,266,143

IV. Liquidity Risk: Analysis on Maturity of Assets and Liabilities

March 31, 2023

Unit: NTD millions

	Total	Amount of the remaining period to maturity date				
		0-30 Days	31-90 Days	91-180 Days	181 Days -1 Year	Over 1 Year
Assets	242,130	69,904	58,023	1,804	7,726	104,673
Liabilities	209,503	185,100	22,722	1,358	191	132
Deficit	32,627	-115,196	35,301	446	7,535	104,541
Accumulated deficit	-	-115,196	-79,895	-79,449	-71,914	32,627