



Mega Holdings

Stock Code: 5842

Website:

Market Observation Post System

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

Mega Bills Web Site:

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



MEGA BILLS FINANCE CO., LTD.

Annual Report

2023

■ Spokesman and Deputy Spokesman for the Corporation

Spokesman: Shih-Yi Chen
Job title: Senior Executive Vice President
Tel. No.: (02)2389-3399
Email: shihyi@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(5 Lines)
	Fax No.:	(02) 2391-1717

■ Organization Handling Stock Transfer Affairs

Name: Yuanta Securities Co., Ltd.
Address: B3F., No.210, Sec. 3, Chengde Rd., Taipei
Website: <https://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: <https://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: <https://www.pwc.com/tw/>
Tel. No.: (02)2729-6666

■ Web Site: <https://www.megabills.com.tw/>

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Message to Shareholders

Message to Shareholders

Since the pandemic gradually cooled off in 2023, the world has been looking forward to the era of economic recovery. However, the cumulative effect of tight monetary policy by central banks of the United States, Europe and other Western countries continues to emerge. The global manufacturing industry was still weak, and the service industry was showing signs of cooling. Meanwhile, the technology war triggered between the U.S. and China, the regional banking crisis in the U.S., the default in China's real estate industry, and geopolitical tensions have caused drastic fluctuations in the financial market. The International Monetary Fund (IMF) forecasted 3.1% global growth, 1.6% for advanced economies, and 4.1% for developing economies in its January 2024 World Economic Outlook.

In 2023, the major economies demonstrated different performances. The US economic growth remained resilient, the economy in the Eurozone and the UK slowed down, the economy in Japan grew moderately. Meanwhile, the downside risk of the Chinese economy was increasing. In 2024, the advanced economies are expected to grow sluggishly, and the economic outlook of the emerging economies, such as South Korea, Taiwan and ASEAN, appear to be better. The downside risk to China's economy still exists. IMF forecasts that the global economic growth will remain at 3.1%, advanced economies 1.5%, and emerging economies 4.1%.

In terms of the domestic economy, due to the sluggish global demand for end products in 2023, the speed of manufacturers' inventory depletion was slow, and the growth of export and private investment was not as good as expected, the investment and corporate capital expenditures turned to be more cautious. In 2024, international institutions expected the growth of global merchandise trade and the demand for artificial intelligence to boost Taiwan's exports and private investment. The Directorate-General of Budget, Accounting and Statistics, Executive Yuan estimated that the economic growth rate in 2024 should be adjusted upward until 3.43%. In terms of monetary policy, the Central Bank raised the rediscount rate, secured lending rate, and short-term financing rate by 0.125% on March 21, 2024 to prevent

the expectation of inflation. The Company will continue to monitor the trend of monetary policy.

The National Development Council announced the "2050 Net Zero Emission Roadmap," the Financial Supervisory Commission announced the "Reference Guidelines for Determination of Sustainable Economic Activities" and launched the "Green Finance Action Plan 3.0," hoping to integrate financial resources and support the net zero transformation. The Company will continue to pay attention to sustainable development issues, include ESG indicators into the investment and financing decision-making process, proactively implement sustainable finance, and lead customers to focus on the sustainable value.

Despite the difficulty in the bills and bonds business and the fierce competition in the finance industry, the Company's net profit after tax was NT\$1,920,230 thousand. The Company's business results for the previous year (2023) are reported as following:

One. Business Report 2023

I. Global and Local Financial Environment, 2023

In an attempt to curb hyper-inflation, the central banks in the United States and Europe have adopted the tight monetary policy since 2022, putting pressure on economic growth and the commodity price has declined due to the cooling of global demand. Notwithstanding, the service price and housing price remained high due to the rigidity and, therefore, the inflation recovered slowly. In 2023, the Fed has raised the interest rate for a total 4 times, and the benchmark interest rate rose to the range of 5.25~5.50%. Based on the consideration of the economic outlook and observation of the cumulative impact of previous interest rate hikes, the Fed has slowed or suspended the pace of interest rate hikes. Nonetheless, inflation pressure remained high and interest rates remained relatively high in major economies.

Domestically, the industrial chain continued to adjust the inventory and economic growth was slowing down. Although domestic private consumption remains stable, the export of goods was weak and enterprises were not willing to invest. The Directorate-General of Budget, Accounting and Statistics, Executive Yuan estimated that the economic growth rate of Taiwan in 2023 should be 1.42%, the lowest record in the past 14 years.

In terms of domestic CPI, the DGBAS announced in January 2024 that the CPI rate was 2.5% YoY and the growth rate of the core CPI (excluding fruit and energy) was 2.58% YoY in 2023, the second highest record in the past 15 years. Throughout the year, the price increase range of food products expanded, and the price of entertainment services increased. Besides, the rigidity was beyond our expectation. However, as the international raw material prices fell, which had a stable effect on domestic commodity prices, the pressure produced by the increasing commodity price has gradually eased.

In terms of domestic monetary policy, the central banks of major economies continued to increase interest rates in H1 of the year. However, the Central Bank

believes that the domestic inflation rate will slowly decline from the previous year, the domestic output gap is in negative value, the global economy will cool down next year, and the outlook is still subject to multiple risks , the policy interest rate remained unchanged, and the annual rediscount rate, secured loan financing interest rate, and short-term financing interest rate were increased from 1.75%, 2.125% and 4% to 1.875%, 2.25% and 4.125% in order to maintain the overall economic and financial stability, after the escalation of the interest rate by 0.125% as resolved by the Bank's board of directors/supervisors meeting in Q1 on March 23, 2023.

II. Organizational changes: None.

III. Results of Implementation of Business Plan and Strategy

Unit: NT\$ million

Item	Final Accounting Figure, 2023	Final Accounting Figure, 2022	Increase/ Decrease (%)
Underwriting and Purchasing Bills	4,093,282	3,565,920	14.79
Commercial Papers Underwritten	3,968,022	3,413,513	16.24
Trading volume of bills	9,706,070	8,528,043	13.81
Trading Volume of Bonds	3,458,158	3,242,713	6.64
Average Balance of Guaranteed Commercial Paper	168,081	175,776	-4.38
Overdue Credit Amounts	-	12	-
Overdue Loan Ratio (%)	-	0.01	-0.01

IV. Budget Implementation

Unit: NT\$ million

Item	Final Accounting Figure, 2023	Budget Figure, 2023	Achievement Rate (%)
Underwriting and purchasing bills	4,093,282	3,182,182	128.63
Commercial Papers Underwritten	3,968,022	3,096,927	128.13
Trading volume of bills (Note)	9,706,070	10,070,174	96.38
Trading volume of bonds	3,458,158	2,775,691	124.59
RP outstanding balance of bills and bonds	220,296	204,570	107.69
Average Balance of Guaranteed Commercial Paper	168,081	166,000	101.25
Overdue Credit Amounts	-	-	-
Overdue loan ratio (%)	-	-	-
Net Profit After Tax	1,920	2,400	80.00

Note: The budgeted figures for trading of various bills in 2023 include the RP contract performance amount, but the 2023 final accounts are not included in the calculation, as the statistics were required to be announced by Taiwan Depository and Clearing Corporation instead of Bills Finance

Association of the Republic of China based on the figures declared by various dealers since April

V. Financial Income and Expenditures, and Analysis of Profitability

Unit: NT\$ million

Item	Final Accounting Figure, 2023	Item	Final Accounting Figure, 2023
Net income	3,117	EPS (NT\$)	1.46
Income Before Tax	2,309	ROA (%)	0.73
Net profit after tax	1,920	ROE (%)	5.07

VI. Research and Development

(I) Business management or sales of products

- 1.The departmental performance evaluation system was amended to accommodate business development strategies.
- 2.Continue to enhance the information system and internal operation efficiency, establish a financial statement identification system and plan to establish an E-loan credit investigation and extension process management system, to improve the efficiency of credit investigation, credit extension, review and back-office operations.
- 3.Promote online application for leave and overtime assignments, and optimize the online learning platform system to quickly track the progress of assignments and reduce administrative costs.

(II) Risk Management

1. Enhanced execution and transaction monitoring of the Company's anti-money laundering and combating the financing of terrorism efforts.
2. Establishment of laws and regulations management system to mitigate the compliance risks.
3. Integrate customer's case data into the internal application system regularly to verify the customer's risk profile in a real-time manner and achieve consistent risk information disclosure.
4. In response to the international trend of sustainable finance and compliance

with the authority's green finance policies, continue to optimize the ESG risk assessment system.

5. Continuously enhanced the self-assessment system of operational risks and strengthened risk management regarding various business risk categories.

Two. Summary of Business Plan 2024

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 on sustainable development and fulfill the social responsibilities.

II. Projection of Business Goals

Unit: NT\$ million

Item	2024 Budget Figure
Underwriting and purchasing bills	3,812,065
Commercial Papers Underwritten	3,664,957
Trading volume of bills	8,933,863
Trading volume of bonds	3,184,094
RP outstanding balance of bills and bonds	233,809
Average Balance of Guaranteed Commercial Paper	178,500

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) Support the government's economic and financial policies, assist industrial and commercial enterprises to obtain working capital, and promote the sound development of the monetary market.
- (II) Enhance the interest of the Company, achieve the target, and consolidate the leading position in the market of bills and bonds.

- (III) Ensure that operational risks are controlled within the tolerable range and maintain a healthy capital adequacy ratio.
- (IV) Establish and effectively implement a sound internal control system to ensure compliance with laws and regulations, and improve corporate governance standards.
- (V) Strengthen information security management to ensure data, system, equipment and network security.
- (VI) Establish a corporate culture that protects financial consumers and enhance the confidence of financial consumers.
- (I) Engage in various business activities, commit to practicing sustainable development, and follow the concepts about ethical management, steady growth, and sustainable development.

IV. Future Development Strategies

- (I) To expand the AUM and increase business revenues.
- (II) To consolidate advantage in corporate banking and deepen cross-selling.
- (III) To improve corporate governance standards and pursue sustainable development.
- (IV) To improve operating efficiency, optimize operations and increase returns.
- (V) To strengthen risk management and implement internal and external legal compliance.
- (VI) To protect intellectual property and increase investment in digital information.
- (VII) To encourage and enhance employees value and train digital talents.
- (VIII) Build a digital culture and encourage R&D and innovation.

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

- (I) There is an increasing variety of funding 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) The Central Bank continues selective credit controls, further restricts the inflow of funds to the real estate industry. Further, the implementation of the new law, Equalization of Land Rights Act, causes the real estate industry to face the downside risk, thereby affecting the development of new business.
- (III) The cumulative effect of tight monetary policy by the world's major central banks and the geopolitical risks increase the uncertainty in the global economy and inflation, thereby affecting the timing of the Fed's decision to cut interest rates.

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	2023.09.27

Four. Appreciation and Prospect

In the past year, due to the cumulative effect of the tight monetary policy adopted by the world's major central banks, the technology war between the US and China, the regional banking crisis in the US, the default of China's real estate, and geopolitical tensions, the financial market has fluctuated dramatically. Due to the increase in capital cost and the significant reduction of the interest rate spread for the Company's bills and bonds business, the Company did not meet the profit target for the year. Notwithstanding, with the efforts paid by all colleagues in striving for business, as well as the guidance and assistance from the directors, supervisors and Mega FHC, the Company still outperforms the peer companies in terms of various business lines.

Looking forward to next year, in the context that the geopolitical risks increase the uncertainty in the global economy and inflation, and thereby postpone the timing for the Fed to cut interest rate. Further, the lift rate by the Central Bank of Taiwan in Q1 also drove the increase in operating costs. In order to deal with the unfavorable business environment, the Company and its employees will continue to respond to changes with "integrity, stability, innovation, growth, service efficiency, and sustainability" in mind,

value internal control, improve corporate governance, fulfill the corporate social responsibility and strive to reward shareholders of Mega FHC with better performance.

Best wishes for all of you
Health and Happiness,

Chairperson of the Board	Mei-Chu Liao	President	Yao-Kuang Tsai
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Company Profile

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.

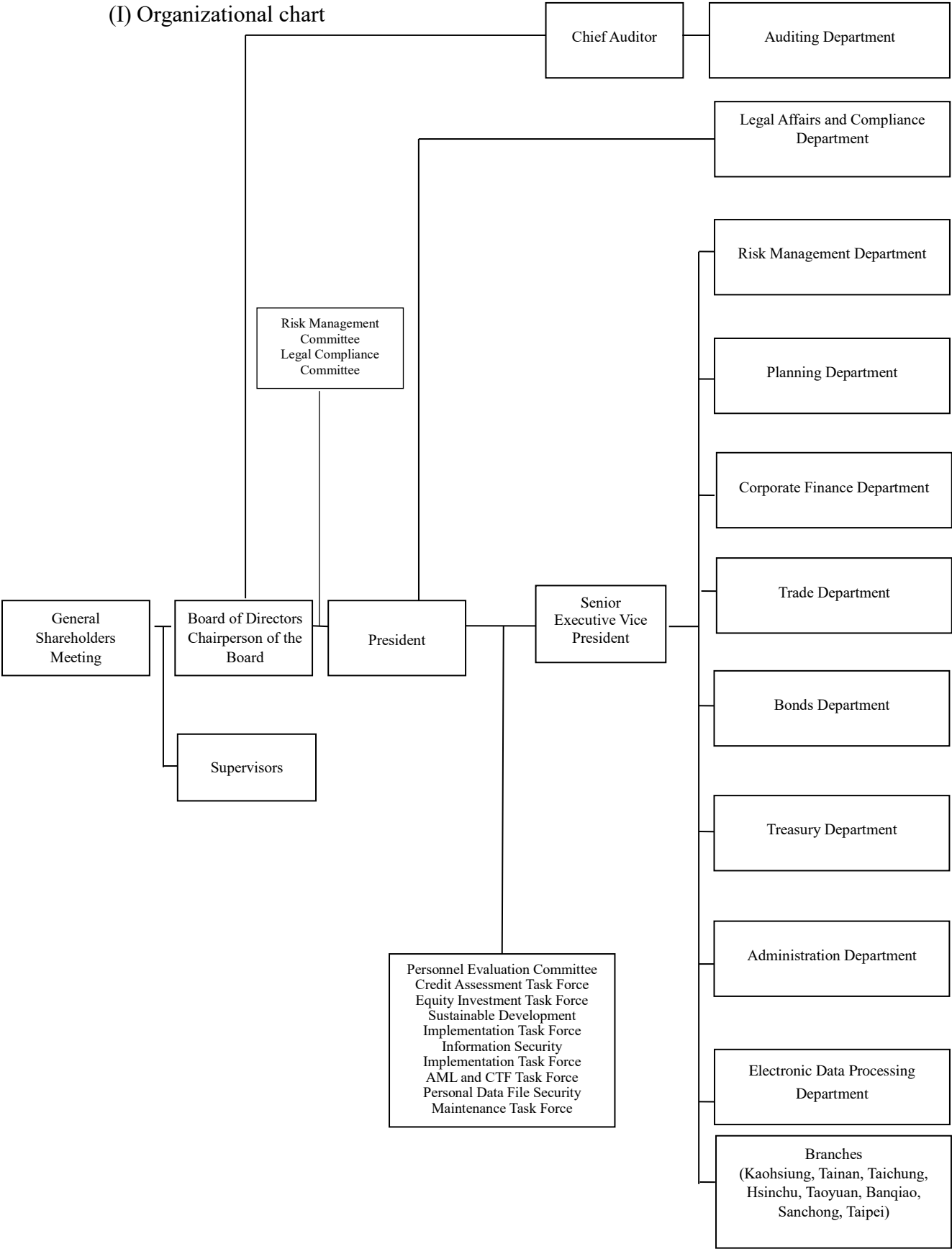
XIX. November 4, 2020, the Company received the “Excellence Best Bills Finance Award in the 10th Taiwan Banking and Finance Best Practice Awards.”

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.
- 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)

March 31, 2024

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 Position / Occupation	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	2021.06.23	2024.06.22	2018.03.01	(Note 1)								Department of Banking, National Chengchi University.	Senior Executive Vice President, First Financial Holding Co., Ltd.; Chief Secretary, First Financial Holding Co., Ltd. and the Board of Directors of First Commercial Bank; Chairperson of the Board, First Securities Inc.; Director, FCB Leasing Co.,Ltd.; Director, First Commercial Bank (USA); Supervisor, First Life Insurance Co., Ltd.; Supervisor, Financial Information Service Co., Ltd.; Director, First Financial Management Consulting Co., Ltd. and First Venture Capital Co., Ltd.; Director, First Securities Investment Trust Co., Ltd.; Director, R.O.C. Bills Finance Association; Director, Taiwan Depository and Clearing Corporation; Director, Taiwan Academy of Banking and Finance; Director, Taiwan Financial Services Roundtable	Chairperson of the Board, Mega Bills Finance Co., Ltd.; Managing Director, R.O.C. Bills Finance Association; Supervisor, the Bankers Association of the Republic of China; Director, Mega Charity Foundation; Supervisor, the Bankers Association of Taipei	None			
Director and President	Republic of China	Yao-Kuang Tsai	Male 61-70	2021.06.23	2024.06.22	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	2021.06.23	2024.06.22	2016.10.26									Master of Business Administration, University of Massachusetts	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; Supervisor, PChome online Inc.	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 of the Board, Weidu Investment; Supervisor, Ma Kuang International Development; Director, E-Family Corp.; Director, Qifang; Independent Director; Mega Securities; Director, Weicheng Industrial.				
Independent Director	Republic of China	Jean-Yue Chen	Male 51-60	2021.06.23	2024.06.22	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.				

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 Position / Occupation	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	Ya-Ting Chang	Female 31-40	2021.06.23	2024.06.22	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 of the Board, Surplus Asset Management.				
Director	Republic of China	Yu-Mei Hsiao	Female 51-60	2021.06.23	2024.06.22	2018.03.28									Master of Finance, University of Illinois Urbana-Champaign	Senior Executive Vice President and Chief Secretary of the Board of Directors, Mega Financial Holding Co., Ltd. and Mega International Bank; First Commercial Bank Co., Ltd., Brisbane Branch Manager and Gongguan Branch Manager; Director, Hotong International Co., Ltd.; Director, Hotung Investment Holdings Limited, a Bermuda-based company; Director, Taiwan Financial Asset Service Corporation; Chairperson of the Board, Mega Bank Ta Chong Company; Director, China Real Estate Management Co., Ltd.	Director and also President, Mega Financial Holding Co., Ltd.; Managing Director, Mega International Commercial Bank Co., Ltd.; Vice Chairman, Mega Charity Foundation; Director, Mega Bank C&E Foundation; Director, Mega Asset Management Co., Ltd.				
Director	Republic of China	Nian-Tzy Yeh (Note 2)	Male 61-70	2021.08.25	2024.06.22	2021.08.25									Master of Business Administration, University of Dallas, Texas	Silicon Valley Branch Manager, Director-General of AML/CFT Division, and Assistant Vice President of General Administration Division Acting on behalf of Senior Executive Vice President of General Administration Division, Mega International Commercial Bank; Director, Excel Chemical Corporation	Senior Executive Vice President, Mega International Commercial Bank; Chairperson of the Board, Mega Bank Ta Chong Company; Director, Taiwan Urban Regeneration & Financial Service Co., Ltd.				
Director	Republic of China	Jian-Pyng Lee (Note 3)	Male 51-60	2024.01.01	2024.06.22	2024.01.01									Master of Finance, National Sun Yat-sen University	Dunhua South Road Branch Manager, Neihu Branch, Manager, East Neihu Branch Manager, Director-General of Corporate Banking Business Division, and Director-General of Credit Marketing Division, Mega International Commercial Bank	Chief Secretary, Mega Financial Holding Co., Ltd.; Chief Secretary, Mega International Commercial Bank				
Supervisor	Republic of China	Yung-Chen Huang	Female 51-60	2021.06.23	2024.06.22	2018.12.19									Master of Economics, New York University	Chief Auditor, Executive Vice President of the Foreign Businesses Department, Yilan Branch Manager, Daan Branch Manager and Sanchong Branch Manager, Mega International Commercial Bank; Head Office Branch Deputy Manager, Mega Financial Holding	Senior Executive Vice President, Mega Financial Holding Co., Ltd. and Mega International Commercial Bank; Director, Mega Bank C&E Foundation; Director, China Real Estate Management Co., Ltd.; Director, Mega Asset Management Co., Ltd.				
Supervisor	Republic of China	Yi-Ming Ko (Note 3)	Female 51-60	2024.01.01	2024.06.22	2024.01.01									Master of Laws, University of Southern Methodist University, Texas	Assistant Vice President and Director-General of AML/CFT Division, Assistant Vice President of Los Angeles Branch and Chicago Branch Manager, Mega International Commercial Bank; Senior Executive Vice President of Credit Department, Canada Kuang Hua International Bank	Chief Compliance Officer, Mega Financial Holding Co., Ltd. and Mega International Commercial Bank				

Note:

- 1. 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. re-appointed 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.
- 2. 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.
- 3. Mr. Jian-Pyng Lee to succeed to Director Jui-Yun Lin, and Ms. Yi-Ming Ko to succeed to Supervisor Chi- Ho Chen on 1.1.2024. re-appointed by Mega Financial Holding Co., Ltd.

(II) Major shareholders of corporate shareholders

Book Closure Date: December 31, 2023

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.	2.88%
	Bank of Taiwan Co., Ltd.	2.46%
	Taiwan Life Insurance Co., Ltd.	2.28%
	New Labor Pension Fund	1.94%
	Citibank (Taiwan) in its capacity as the Custodian of Investment Account of GIC Pte Ltd. (Singapore)	1.62%
	Pou Chen Corporation	1.40%
	Old Labor Pension Fund	1.38%

(III) Major Shareholders of Major Corporate Shareholders

Book Closure Date: December 31, 2023

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 the Custodian of Property Account of Shu-Man Huang	3.46%
	Fubon Life Insurance Co., Ltd.	2.48%
	Capital Securities Corporation in its Capacity as the Custodian of Investment Account of Unicorn Securities Company Limited	1.86%
	Standard Chartered Bank in its Capacity as the Custodian of Investment Account of LGT Bank	1.71%
	Kai Tai Investment Co., Ltd.	1.51%
	Shu-Man Huang	1.45%
	Chunghwa Post Co., Ltd.	1.31%

Note: 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

March 31, 2024

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 of Department of Banking, National Chengchi University, serving as the Company's Chairperson of the Board since March 2018; Currently Managing Director of R.O.C. Bills Finance Association, Supervisor of the Bankers Association of the Republic of China, Supervisor of the Bankers Association of Taipei, and Director of Mega Charity Foundation. Former positions: Senior Executive Vice President, First Financial Holding Co., Ltd.; Chief Secretary, First Financial Holding Co., Ltd. and the Board of Directors of First Commercial Bank; Chairperson of the Board, First Securities Inc.; Director, FCB Leasing Co., Ltd.; Director, First Commercial Bank (USA); Supervisor, First Life Insurance Co., Ltd.; Supervisor, Financial Information Service Co., Ltd.; Director, First Financial Management Consulting Co., Ltd. and First Venture Capital Co., Ltd.; Director, First Securities Investment Trust Co., Ltd.; Director, R.O.C. Bills Finance Association; Director, Taiwan Depository and Clearing Corporation; Director, Taiwan Academy of Banking and Finance; Director, Taiwan Financial	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

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
	Services Roundtable, with extensive practical experience in the financial industry, corporate governance and strategic management skills, and leadership.		
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 the Company 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
		or any affiliated companies in the most recent two years: None	
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

Qualifications Name	Professional qualification and experience	Independence	Number of other public companies in which the director/supervisor serves as independent directors concurrently
	Taiwan Urban Regeneration & Financial Services; former positions: Director of Excel Chemical Corporation; Silicon Valley Branch Manager and Director-General of AML/CFT Division, Mega International Commercial Bank, with the international perspectives and expertise in loan review and money laundering prevention.	requirements referred to in Paragraph 1 of Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”	
Director Jian-Pyng Lee	Master of Finance, National Sun Yat-sen University; current positions: Chief Secretary of Mega Financial Holding Co., Ltd. and Chief Secretary of Mega International Commercial Bank; former positions: Dunhua South Road Branch Manager, Neihu Branch, Manager, East Neihu Branch Manager, Director-General of Corporate Banking Business Division, and Director-General of Credit Marketing Division, Mega International Commercial Bank, with the expertise in credit review and corporate governance.	<ol style="list-style-type: none"> 1. Current positions: Deputy Chief Secretary of the Company’s parent company, Mega Financial Holding Co., Ltd., and also the Chief Secretary of the Company’s affiliated company, Mega International Commercial 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; current positions: Senior Executive Vice President of Mega Financial Holding Co., Ltd. and Mega International Commercial Bank; Director of Mega Asset Management Co., Ltd.; Director of the Bank's Culture & Education Foundation and Director of China Construction Management Co., Ltd.; former positions: Chief Auditor, Assistant Vice President of the Foreign Businesses Department and multiple branch managers of Mega International Commercial Bank, with the expertise in risk management review and internal audit.	1. Current positions: Senior Executive Vice President of the Company's parent company, Mega Financial Holding Co., Ltd., and also Vice President of the Company's affiliated company, Mega International Commercial Bank; Director of Mega Asset Management Co., Ltd.; and Director of Mega Bank C&E Foundation. 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 Yi-Ming Ko	Master of Laws, University of Southern Methodist University, Texas; current position: Chief Compliance Officer and Director-General of AML/CFT Division; former positions: Assistant Vice President of Los Angeles Branch and Chicago Branch Manager Mega of International Commercial Bank, and Senior Executive Vice President of Credit Department of Canada Kuang Hua International Bank, with the international perspectives and expertise in compliance, legal affairs and money laundering prevention.	1. Current positions: Chief Compliance Officer of the Company's parent company, Mega Financial Holding Co., Ltd., and also the Chief Compliance Officer of the Company's affiliated company, Mega International Commercial 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

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 three directors are female and occupy a percentage of 37.5%. Two of the independent directors have held the post for less than three consecutive terms. There are three directors aged between 61-70, four 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	V
Director and President	Yao-Kuang Tsai	Republic of China	Male	V			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	V
Independent Director	Jean-Yue Chen	Republic of China	Male			V			V		V	V	V			V	V	V	V
Director	Ya-Ting Chang	Republic of China	Female		V						V	V	V	V	V	V		V	V
Director	Yu-Mei Hsiao	Republic of China	Female			V					V	V	V	V	V			V	V
Director	Nian-Tzy Yeh	Republic of China	Male				V				V	V	V	V	V			V	V
Director	Jian-Pyng Lee	Republic of China	Male			V					V	V	V	V	V			V	V
Supervisor	Yung-Chen Huang	Republic of China	Female			V					V	V	V	V	V			V	V
Supervisor	Yi-Ming Ko	Republic of China	Female			V					V	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

January 16, 2024

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	Shareholding	Quantity	Shareholdings	Education	Experience		Job Title	Name	Relationship	
President and CEO	Republic of China	Yao-Kuang Tsai	Male	2020.07.02	—	—	—	—	—	—	Department of Banking, Tamkang University.	Chief Auditor of Mega Bills Finance.	—	—	—	—	
Senior Executive Vice President	Republic of China	Shih-Yi Chen	Male	2022.07.29	—	—	—	—	—	—	MBA, Katholieke Universiteit Leuven	Chief Auditor of Mega Bills Finance.	—	—	—	—	
Senior Executive Vice President	Republic of China	Shih-Ming Wang	Male	2023.07.16	—	—	—	—	—	—	Master of Finance, Tam Kang University	Executive Vice President and General Manager, Corporate Finance Department.	—	—	—	—	
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, Risk Management Department	Republic of China	Li-Chun Hsiao	Male	2024.01.16	—	—	—	—	—	—	MBA, Soochow University	Executive Vice President and General Manager, Taichung 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	Shao-Shih Lu	Male	2024.01.16	—	—	—	—	—	—	Master of Management Science, Ming Chuan University	Executive Vice President and General Manager, Administration Department	—	—	—	—	
Executive Vice President and General Manager, Trade Department	Republic of China	Fu-Yuan Cheng	Male	2024.01.16	—	—	—	—	—	—	Master of Business Administration, Yuan Ze University	General Manager, Trade Department.	—	—	—	—	
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, Institute of Management, National Sun Yat-sen University	General Manager, Legal Affairs and Compliance Department.	—	—	—	—
General Manager, Administration Department	Republic of China	Ming-Hsueh Hu	Male	2024.01.16	—	—	—	—	—	—	Master, Institute of Economics, Soochow University	General Manager, Hsinchu Branch.	—	—	—	—
General Manager, Electronic Data Processing Department	Republic of China	Wen-Chun Chan	Male	2024.01.16	—	—	—	—	—	—	Master of Information Management, Yuan Ze University	Senior Specialist, Electronic Data Processing Department.	—	—	—	—
Legal Affairs and Compliance Department General Manager	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	Chen-Hsiang Chen	Male	2023.10.02	—	—	—	—	—	—	MBA, Chung Cheng University	Deputy General Manager, Tainan Branch.	—	—	—	—
General Manager, Tainan Branch.	Republic of China	Cheng-Hsun Sung	Male	2023.08.01	—	—	—	—	—	—	MBA, the University of Texas at Arlington	Deputy General Manager, Taichung Branch.	—	—	—	—
Executive Vice President and General Manager, Taichung Branch	Republic of China	Yung-Fu Fang	Male	2024.01.16	—	—	—	—	—	—	Department of Economics, National Taiwan University	General Manager, Banqiao Branch.	—	—	—	—
General Manager, Hsinchu Branch.	Republic of China	Nien-Hsun Tsou	Male	2024.01.16	—	—	—	—	—	—	Master of Finance, Tam Kang University	Deputy General Manager, Risk Management Department.	—	—	—	—
General Manager, Taoyuan Branch	Republic of China	Chi-Cheng Kang	Male	2023.08.01	—	—	—	—	—	—	Department of Business Administration, Feng Chia University	General Manager, Tainan Branch.	—	—	—	—
General Manager, Banqiao Branch.	Republic of China	Ching-Chi Wang	Male	2024.01.16	—	—	—	—	—	—	Department of Business Administration, FTamkang University	Deputy General Manager, Corporate Finance Department.	—	—	—	—
General Manager, Sanchong Branch	Republic of China	Cheng-Yi Lin	Male	2023.07.03	—	—	—	—	—	—	MBA, National Chung Cheng University	Deputy General Manager, Risk Management Department.	—	—	—	—
General Manager, Taipei Branch	Republic of China	Chieh-Wen Li	Male	2021.06.07	—	—	—	—	—	—	College of Commerce, National Taiwan	Deputy General Manager of the Bills Department.	—	—	—	—

											University						
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Description: 1. Senior Executive Vice President Chin-Sheng Huang retired on January 16, 2024.

2. Executive Vice President Hsi-Pin Yu retired on January 16, 2024.

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 2023. 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	13	1	93	
Independent Director	Jean-Yue Chen	14	0	100	
Director	Jui-Yun Lin	14	0	100	Departed since 01.01.2024.
Director	Nian-Tzy Yeh	11	3	79	
Director	Ya-Ting Chang	14	0	100	
Director	Yu-Mei Hsiao	13	1	93	
Supervisor	Yung-Chen Huang	14	0	100	
Supervisor	Chi- Ho Chen	14	0	100	Departed since 01.01.2024.

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 2023 finance and tax statements, transfer-pricing report, and personal data protection audit project at its 24th meeting on January 31, 2023. 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 amendment of the Company's "Derivative Trading Procedures" at its 33rd meeting on September 26, 2023. 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)

- (1) At the 24th meeting on January 31, 2023, 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.

- (2) The 16th Board of Directors submitted the underwriting of non-guaranteed commercial promissory notes of Mega Financial Holding Co., Ltd. at its 30th meeting on July 25, 2023. Director Yu-Mei Hsiao recused herself during the discussion and voting in relation to the agenda because she was the President of Mega Financial Holding Co., Ltd., a stakeholder in the agenda.
- (3) The 16th Board of Directors submitted the underwriting of non-guaranteed commercial promissory notes of CHUNG KUO INSURANCE CO., LTD. at its 32nd meeting on August 22, 2023. Director Jui-Yun Lin recused herself during the discussion and voting in relation to the agenda because she was a supervisor of CHUNG KUO INSURANCE CO., LTD., a stakeholder in the agenda.
- (4) The 16th Board of Directors submitted the underwriting of non-guaranteed commercial promissory notes of Mega Securities Co., Ltd. at its 34th meeting on October 24, 2023. 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.
- (5) 37th meeting of 16th Board of Directors held on December 26, 2023: 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: The Company is not a TWSE/TPEX listed company. Notwithstanding, it has completed the performance evaluation on the Board of Directors. The implementation status is specified as following:

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Contents
Once a year	2023.01.01-2023.12.31	Performance evaluation on the entire Board of Directors and Board members	The self-evaluation questionnaire to be filled out by the Board of Directors is the qualitative item and the quantitative item of the self-evaluation questionnaire, which is filled in by the parliamentary unit.	<p>(1) Overall performance evaluation on the Board of Directors: participation in the Company's operations, improvement of the quality of the Board's decision-making, composition and structure of the Board of Directors, election and continuing education of directors, and internal control.</p> <p>(2) Performance evaluation on the Board members: Mastery of the Company's goals and missions, awareness of directors' duties, participation in the Company's operations, management of internal relations and communication, directors' professionalism and continuing education, and internal control.</p> <p>Evaluation result: All evaluation indicators were met. The entire Board of Directors and Board members "exceeded the standards".</p>

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 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) The Board of Directors Performance Evaluation Guidelines of the Company were established on August 22, 2023, in order to conduct the performance evaluation on the Board of Directors to implement the corporate governance and enhance the functions of the Board of Directors.

II. Supervisors' involvements in Board of Directors meetings:

The Board of Directors met 14 times (A) in 2023 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	Departed since 01.01.2024.

Other notes to be specified:

1. Constitution and obligations of supervisors:

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

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(2) Supervisors' communication with Chief Auditor and external auditors (e.g. the details, means and outcomes of discussion regarding the Company's financial position and business performance): The Company's internal audit reports and financial statements are submitted regularly for review by 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.

2. Opinions expressed by supervisors in board meetings; state the date and term of the meeting held, the agenda, the board's resolution, and how the company has responded to supervisors' opinions:

Date of The Board of Directors Meeting	Session	Proposal	The Company's response to the opinions stated by supervisors Board of Directors' resolution
2023.03.28	16-26	Establishment of the Company's compliance commission establishment guidelines	<ul style="list-style-type: none"> Some clauses were amended based on the supervisors' opinions Passed after the amendments were approved.
		Loans to ○○ Company	<ul style="list-style-type: none"> The management provided sufficient explanation. Approved as proposed.
		Loans to ○○ Company	<ul style="list-style-type: none"> The management provided sufficient explanation. Approved as proposed.
2023.07.25	16-30	Report on the minutes of 29th meeting of 16th Board of Directors	<ul style="list-style-type: none"> Some minute notes were amended based on the supervisors' opinions Confirmed after the amendments were approved.
2023.08.22	16-32	Loans to ○○ Company	<ul style="list-style-type: none"> The management provided sufficient explanation. Approve the motion as it is, and report to the Board of Directors on the progress of collateral sales.
2023.09.26	16-33	Loans to ○○ Company	<ul style="list-style-type: none"> The management provided sufficient explanation. Approved as proposed.
2023.11.28	16-35	Loans to ○○ 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 (<https://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 three 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 appoints 2 supervisors. The Company has</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	
(III) Has the TWSE/TPEX listed bills finance 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?	-		added functional committee rules into its “Corporate Governance Code of Conduct” to support decision-making and management. (III) The Company is not a TWSE/TPEX-listed company. However, in order to implement corporate governance, the Company has formulated the Board of Directors performance evaluation guidelines in 2023, and reported the performance results to the Board of Directors.	
(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 20 hours of relevant training courses in 2023.	Compliant with “Corporate Governance Best-Practice Principles for Bills 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 Bills 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 Bills Finance Companies”
(III) Does the company publish and make official filing of annual financial reports according to The Act Governing Bills Finance	V		(III) The Company publishes and files annual report within the required timeframe, and publishes/files Q1, Q2, and Q3 financial reports along with monthly business performance	

Item			Status	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No	Summary description	
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?			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. Some directors and supervisors participated in the "Corporate Governance Keynote Speech" organized by the Ministry of Finance; "Global Economic Outlook and Industry Trends in 2024," "Risks and Opportunities Arising from Climate Change Trends for Corporate Management," "Emerging Money Laundering Model and Regulatory Trends," "Enhancement of Board of Directors to Drive ESG - Case Sharing on the Connection between Senior Executives' Remuneration and ESG Performance," "Corporate Governance Trends and Sustainable Corporate Development," "Artificial Intelligence Explosion: The Technology Development and Application Business Opportunities of the Chatting Robot, ChatGPT," "Corporate Governance 3.0 "Sustainability Report" Practical Analysis," "How the Board of Directors Formulate ESG Sustainable Governance Strategies," "Corporate Carbon Rights and Carbon Asset Management Responses under the Operation of Global Carbon Trading Mechanism" and "Observation on Information Security Governance Strategies of TWSE/TPEx-Listed Companies from ESG Practices" organized by the Ministry of</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>Finance; "Ethical Corporate Management Best Practice Principles," "Insider Trading Prevention Promotion Conference 2023," "Study on the Issue about Remuneration to Employees and Directors-Discussion from Amendments to Article 14 of the Securities and Exchange Act," "Analysis on the Key Points of Corporate Governance Evaluation to be Noted by Directors and Supervisors," "General Shareholders Meeting, Right of Management and Equity Strategies," "How to Improve the Credibility of Corporate Sustainability Reports," "Sustainable Finance and Investment ESG Trends" and "How Directors and Supervisors with No Financial Accounting Background Review Financial Reports" organized by Securities and Futures Institute; "14th Taipei Corporate Governance Forum" organized by the Financial Supervisory Commission; "Information Security Governance Lecture - Corporate Information Security Stance with Digital Resilience," "Requirements for the Board of Directors under AML/CFT-Related Laws and Regulations," "Financial Information Security and Resilience Conference under National Security Framework," "Key Information Security Standards and Compliance," "2022~2023 Financial Senior Executive's Leadership Awareness Plan," "Observation on Responsibilities and Obligations of Enterprises and Directors and Supervisors from the Securities and Exchange Act," "Corporate Governance Green Energy Innovative Business Model" organized by Taiwan Academy of Banking and Finance; "Prevention and Supervision of Money Laundering by CPAs" and "Money Laundering and Insider Trading Patterns" organized by the National Federation of CPA Associations of the R.O.C.; "2023 Transformation Finance and Sustainable Disclosure Conference" organized by the Accounting Research and Development Foundation; "GRI Standards Certification and Training Courses - Integrating SDGs into Sustainable Reporting" organized by BCSD Taiwan; "SAP NOW Taiwan" organized by Taiwan Directors Association; "Sustainable Development Action Program Promotion Conference for TWSE/TPEX Listed Companies" organized by TWSE; "Legal Risk Management over Digital Transformation" organized by Corporate Operating and Sustainable Development Association; "Issues of Concern of Insurance Industry for IFRS 17 Integration," "Fair Dealing Policy Analysis," "Green Finance Action Plan 3.0 - Innovative Business Model for Green Energy," "New Supervision Thoughts under the Development of Fintech," "New Trends in Green Finance - Promotion and Outlook</p>	

Item			Status	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No	Summary description	
			<p>of Taiwan's Sustainable Taxonomy" organized by Taiwan Insurance Institute; "Corporate Resilience and Taiwan Competitiveness" organized by Chinese National Association of Industry and Commerce; "New Trends in Financial Security Management," "Money Laundering Prevention and Countering of Terrorism Financing-FBO Supervision and Regulations," "Knowing the Handicapped and Financial-Friendly Service Guidelines," "Information Security Risks under the IoT and Digital Transformation," "ESG and Information Security Governance Strategies," "Money Laundering Prevention and Countering of Terrorism Financing Lecture-Response to New Types of Fraud (virtual currency and third-party payment)," "Climate Risks and Sustainable Finance," "Personal Data Protection Awareness Upgrading Education and Training," "Information Security Awareness Education and Training," "Gender Awareness Education Courses" and "Climate Risk and Sustainable Finance" organized by Mega Financial Holding; "Anti-fraud, Money Laundering Prevention and Countering of Terrorism Financing and Anti-Weapon Proliferation Training," "Sexual Harassment Prevention Education and Training," "Information Security Practices Sharing," "Prevention of Infringement and Sexual Harassment" and "Ethical Corporate Management Best Practice Principles and Employee Confidentiality Education and Training" organized by Mega Bills.</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</p>	

Item			Status	Non-compliance with Corporate Governance Practice Regulations for Bills Finance Companies, and reasons for such non-compliance
	Yes	No	Summary description	
			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. (IX) Directors and supervisors' liability insurance: The Company takes out “liability insurance for directors and managerial officers” every year.	
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. The Company is not listed on TWSE or TPEx; it is not subject to evaluation and hence this does not apply.				

V. Promotion of sustainable development

(I) 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 subsidiary wholly owned by 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, formulate the Group’s risk management policy and climate risk management guidelines, and set forth the risk control strategies and goals. For the evaluation standards, process and results about material issues, please refer to CH8 Stakeholders and Material Topic of the parent company’s “2023 Sustainability Report.”	The Company is not listed on TWSE or TPEx, hence not required.
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		Mega FHC has established the “Sustainable Development Committee”. It comprises five taskforces, including Environmental Sustainability, Financial Sustainability, Employee Care, Social Prosperity and Corporate Governance, responsible for formulating and follow up the Group’s ESG plans and promotion 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 on a quarterly basis.. Please refer to the “2023 Sustainability Report” of Mega FHC for detailed operation and annual implementation.	
III. Environmental issues (I) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(I) The Company follows the “Sustainable Development Policy”, “Sustainable Development Best Practice Principles” and “Operating Procedure for Environmental Sustainability Management” of Mega FHC, and implement the environment sustainability management in response to the Group's environmental sustainability related plans and goals (including energy and greenhouse gas management, green procurement, supply chain assessment and management). In 2023, the Company has completed the “ISO 14064-1 GHG Accounting” at all of the Company’s 9 business locations, and	

(II) Is the company committed to improving energy efficiency and using renewable materials that produce less impact on the environment?	V	<p>implemented the “ISO14001 Environmental Management System” and “ISO50001 Energy Management System,” all of which were already passed a third party’s certification.</p> <p>(II) The Company has executed the following plans:</p> <ol style="list-style-type: none">1. It takes an inventory of the old energy-consuming equipment every year and plans the update and replacement projects. In 2023, two chillers in Kaohsiung Branch were replaced.2. In order to increase the proportion of hybrid official vehicles step by step, in 2023, the Company purchased the hybrid cars and electric motorcycles, totaling 5 units, for the official vehicles, i.e. 100% of the procurement of official vehicles (82% in 2022).3. 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 2023 was NT\$9 million, occupying 12.24% of the total procurement amount. <p>(III) Please refer to Page 50 for more information on climate change.</p> <p>(IV) The Company has formulated the "Environment and Energy Management Policy" as the policy to "promote energy conservation and carbon reduction, reduce energy consumption, and improve the energy efficiency.” 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. Greenhouse gas emissions: Please refer to Page 53 for the greenhouse gas inventory and assurance related information.2. Water consumption (information from the nine business locations of the Company) <div style="text-align: right;">Unit: cubic meter</div> <table><tr><th>Year</th><th>Total water consumption</th></tr><tr><td>2022</td><td>6,823</td></tr><tr><td>2023</td><td>6,885</td></tr></table> <p>Note: The water consumption target is based on 2020, and reduces the water consumption by 1.5% by 2023. The total water consumption was 6,885 cubic meters in 2023, which represented a decrease by 229 cubic meters (-3.2%) based on the 2020 certainty value, 7,114 cubic meters.</p> <ol style="list-style-type: none">3. Waste volume (information from the nine business locations of the Company) <div style="text-align: right;">Unit: Ton</div> <table><tr><th>Year</th><th>Total Waste Volume</th></tr><tr><td>2022</td><td>55.09</td></tr><tr><td>2023</td><td>46.04</td></tr></table> <p>Note: Please refer to the information on green operations on Page 52 for waste targets.</p>	Year	Total water consumption	2022	6,823	2023	6,885	Year	Total Waste Volume	2022	55.09	2023	46.04
Year	Total water consumption													
2022	6,823													
2023	6,885													
Year	Total Waste Volume													
2022	55.09													
2023	46.04													
(III) Does the company assess potential risks and opportunities associated with climate change, and undertake relevant measures?	V													
(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													

IV. Social issues	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.
(I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?		

<p>(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?</p>	<p>V</p>	<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 28.4% in 2023 (26.6% in 2022). Female managerial officers have a percentage of 1.4% in 2023 (same as in 2022). Two employees with disabilities were hired in 2023 in compliance with the law. 	
<p>(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</p>	<p>V</p>	<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. There were no occupational accidents and fire incidents in 2023. 	
<p>(IV) Has the company implemented an effective training program that helps employees develop skills over their career?</p>	<p>V</p>	<p>(IV) The Company implemented has established the following training programs that help employees develop skills over their careers:</p> <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 11,327 hours or 52.68 hours on average in 2023. 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 bill 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: 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 suppliers' performance on a regular basis?	V		(VI) The supply management policy of the Company is described below: 1. The Company establishes the "Guidelines for Sustainable Development 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 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 Development Declaration". The Declaration was signed by suppliers for 27 contracts in 2023.
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) Mega FHC prepared the Group's ESG report to disclose the relevant information based on the standards promulgated by Global Reporting Initiative ("GRI"): 2021 ("GRI Standards: 2021), SDGs, and the standards released by the Sustainability Accounting Standards Board ("SASB) with respect to commercial banks in connection with the commercial bank. (II) Deloitte Taiwan has issued the assurance report on 2022 ESG Report in accordance with ISAE 3000. The 2023 ESG Report would be assured by the CPAs in accordance with the "Operating Procedure for Preparation and Certification of ESG Report" of Mega FHC.
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 important information helpful to understand the status of implementation of sustainable development: Please refer to the "Sustainable Development" section on the Company's website (https://www.megabills.com.tw/).			

(II) Information on climate

Execution of the information on climate

Item of Implementation	Implementation Status	
I. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.	Responsibilities of the Board of Directors and the management	
	Organization	Responsibilities
	Board of Directors	<ul style="list-style-type: none"> Review climate policies and strategies, and supervise the implementation of climate-related indicators and goals. Identify the risk encountered by the operation, supervise the operational results, and take the ultimate responsibility for ensuring establishment and maintenance of the adequate and effective internal control system.

	Management	<ul style="list-style-type: none">● Formulate climate risk management policies, management systems, and monitoring indicators, and regularly review the effectiveness of implementation.● Appoint responsible units or taskforces to implement climate-related tasks, establish a management mechanism, take responsive measures under different scenarios, report to the Risk Management Committee on a regular basis, and report the resolutions of the Committee to the Board of Directors for future reference.																										
II. Describe how the identified climate risks and opportunities affect the business, strategy and finance (short-, mid-, and long-term) of the bills finance company.	<table><tr><th>Risk</th><th>Business and Strategy</th><th>Period</th><th>Financial impact</th></tr><tr><td>Increasing high-temperature operating costs</td><td>Set the risk limit for high-carbon emission investment and financing, and implement energy-saving and carbon-reduction measures (e.g. procurement of green power and acquisition of green building labels).</td><td>Short-term</td><td>The cost of green power rises, and replacement of LEDs or addition of chillers result in the increase in the cost of obtaining building labels.</td></tr><tr><td>Customers face technological transformation.</td><td>Guide customers to implement the sustainable development, and assist customers in the transformation to a low-carbon economy or the development of the green energy industry.</td><td>Mid-term</td><td>Increase the costs for offering preferential interest rates to encourage customers to invest in transformation. The investees/financing counterparties generated poor results in the low-carbon transformation and it is impossible to recover the costs of the transformation, thereby affecting the profits and resulting in defaults.</td></tr><tr><th>Opportunity</th><th>Business and Strategy</th><th>Period</th><th>Financial impact</th></tr><tr><td>Green investment</td><td>Improve sustainable bonds investment.</td><td>Short-term</td><td>Increase investment in sustainable bonds to increase the income.</td></tr><tr><td>Corporate identity</td><td>Participate in sustainability-related evaluations proactively..</td><td>Short-term</td><td>Attract customers who support green enterprises to trade with the Company as the first priority.</td></tr></table>				Risk	Business and Strategy	Period	Financial impact	Increasing high-temperature operating costs	Set the risk limit for high-carbon emission investment and financing, and implement energy-saving and carbon-reduction measures (e.g. procurement of green power and acquisition of green building labels).	Short-term	The cost of green power rises, and replacement of LEDs or addition of chillers result in the increase in the cost of obtaining building labels.	Customers face technological transformation.	Guide customers to implement the sustainable development, and assist customers in the transformation to a low-carbon economy or the development of the green energy industry.	Mid-term	Increase the costs for offering preferential interest rates to encourage customers to invest in transformation. The investees/financing counterparties generated poor results in the low-carbon transformation and it is impossible to recover the costs of the transformation, thereby affecting the profits and resulting in defaults.	Opportunity	Business and Strategy	Period	Financial impact	Green investment	Improve sustainable bonds investment.	Short-term	Increase investment in sustainable bonds to increase the income.	Corporate identity	Participate in sustainability-related evaluations proactively..	Short-term	Attract customers who support green enterprises to trade with the Company as the first priority.
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Green investment	Improve sustainable bonds investment.	Short-term	Increase investment in sustainable bonds to increase the income.																									
Corporate identity	Participate in sustainability-related evaluations proactively..	Short-term	Attract customers who support green enterprises to trade with the Company as the first priority.																									
III. Describe the financial impact posed by extreme climate events and transformation actions.	<table><tr><th>Extreme climate events</th><th>Transformation action</th><th>Financial impact</th></tr><tr><td>Global warming has caused the polar ice sheets to melt and sea levels to rise, thereby resulting in heavy rains, droughts and desertification.</td><td><ul style="list-style-type: none">● Implement external climate database and climate disaster models to verify the risk exposure of investees/financing counterparties in order to take responsive measures as early as possible.● The building is gradually implementing renewable energy and green buildings to respond to the urban heat island effect.</td><td><ul style="list-style-type: none">● Prevent collateral value impairment, damage to business locations or equipment from causing business interruption.● Due to the increasing electricity bills and operating costs, it is necessary to purchase green power or carbon right certificates to achieve carbon neutrality.</td></tr></table>				Extreme climate events	Transformation action	Financial impact	Global warming has caused the polar ice sheets to melt and sea levels to rise, thereby resulting in heavy rains, droughts and desertification.	<ul style="list-style-type: none">● Implement external climate database and climate disaster models to verify the risk exposure of investees/financing counterparties in order to take responsive measures as early as possible.● The building is gradually implementing renewable energy and green buildings to respond to the urban heat island effect.	<ul style="list-style-type: none">● Prevent collateral value impairment, damage to business locations or equipment from causing business interruption.● Due to the increasing electricity bills and operating costs, it is necessary to purchase green power or carbon right certificates to achieve carbon neutrality.																		
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IV. Describe how climate risk identification, assessment, and management process are integrated into the overall risk management system.	<table><tr><td colspan="2">Climate Risk Management Structure</td></tr><tr><th>Procedures</th><th>Description</th></tr><tr><td>Risk Identification</td><td>Based on the global climate issues collected by Mega FHC, the Company identifies climate risks and opportunities that may cause significant financial impact on the Company's business activities.</td></tr><tr><td>Risk</td><td>Before and after the execution of investment, financing and related</td></tr></table>				Climate Risk Management Structure		Procedures	Description	Risk Identification	Based on the global climate issues collected by Mega FHC, the Company identifies climate risks and opportunities that may cause significant financial impact on the Company's business activities.	Risk	Before and after the execution of investment, financing and related																
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Risk	Before and after the execution of investment, financing and related																											

	Assessment	financial services, through various negative schedules or evaluation indicators, the climate risk factors will be gradually included into the current risk management process.																							
	Risk response	After assessing the impact posed by climate risk, the Company adopts the responsive measures to control, mitigate, and avoid the climate risk.																							
	Risk report	The implementation of market risk management is regularly reported to the Company's Risk Management Committee and Board of Directors, and Risk Management Committee of Mega FHC.																							
V.	If a scenario analysis is used to assess the resilience when encountering climate change risks, the scenarios, parameters, assumptions, analysis factors, and main financial impacts as adopted shall be explained.	<p>The scenario analysis is explained as follows:</p> <p>(1) Physical risk: The RCP2.6 (mild) and RCP8.5 (severe) scenarios of the "United Nations Intergovernmental Panel on Climate Change" (IPCC) were adopted. Meanwhile, the climate risk model database provided by external consultants was taken into consideration. In consideration of the hazard factors and parameters (including coastal flooding and extreme heat), the physical risk is assessed. The Company's assets include suppliers, business locations, real estate collateral, and investees and financing counterparties. All assets are assessed to be located in the low climate sensitivity areas. That is, they are subject to low risk and thereby derive minor financial impact.</p> <p>(2) Transformation risk: The financial impacts from suppliers and large carbon polluters were assessed using the orderly, disorderly, and no-policy scenarios of the Central Bank's and regulatory authority's Network for Greening the Financial System (NGFS). The assessment result shows that financial impact was insignificant.</p>																							
VI.	If there is a transformation plan in place to manage climate-related risks, please specify the contents of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.	<p>1. Transformation plan: In response to Mega FHC's execution of the Science Based Targets (SBTi) initiative in April 2023 and commitment to achieve Net Zero (2050) by 2050, the Company adopted the two major actions, "mitigation" and "adaption," to respond to the situation. The plan includes climate governance, green operations, climate opportunities, and physical and transformation risks.</p> <p>2. Physical and transformation risk indicators and goals: The "high-carbon emission industry investment/financing limit ratio" has been set for control, in order to reduce the impact on climate change.</p>																							
VII.	If the internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.	<p>The energy primarily consumed refers to the power used by office buildings, and the electricity consumption accounts for more than 85% of the GHG emissions (Scopes 1+2). Although the current industry which the Company is engaged in is not considered as the energy-heavy industry (with the contracted capacity more than 5,000 kW) defined under the "Renewable Energy Development Act," in order to achieve the Group's GHG emissions (Scopes 1+2) and achieve the net zero emission by 2050, the "Internal Carbon Pricing (ICP)" is implemented on a trial basis to improve the energy efficiency and reduce carbon emissions. Based on the 2022 electricity consumption and the cost spent in obtaining T-RECs, the Company's internal carbon pricing is estimated to be NT\$4,324 per metric ton.</p>																							
VIII.	If climate-related goals are set, the activities covered, scope of GHG emissions, planning period and progress achieved each year shall be explained. If the goals are achieved using carbon offsets or renewable energy certificates (RECs), the source and quantity of carbon offset credits or quantity of the RECs in exchange.	<table border="1"> <thead> <tr> <th>Issues</th><th colspan="2">Climate goals (2023)</th><th>Scope of GHG emissions</th><th>Progress achieved</th></tr> </thead> <tbody> <tr> <td rowspan="3">Climate Action</td><td rowspan="3">Taking 2020 as the base year, the Company already reduced the total amount of GHG (scopes 1+2) by more than 7.5% before 2023.</td><td>Kaohsiung Branch obtained silver-grade "Green Building Label" or higher by the end of Q4.</td><td>Scopes 1 and 2</td><td>Kaohsiung Branch obtained the golden green building mark.</td></tr> <tr> <td>By Q4 of 2022, the headquarters and business locations used more than 36% green power.</td><td>Scope 2</td><td>40.7% green power was consumed by the headquarters and business locations, and 298 renewable energy certificates (RECs) were obtained.</td></tr> <tr> <td>Purchased electric vehicles (automobiles and motorcycles) or hybrid cars reached 70% of the total corporate vehicles purchased in the current year.</td><td>Scope 1</td><td>100% of the corporate vehicles purchased in the current year are electric vehicles and hybrid vehicles.</td></tr> <tr> <td>Green Procurement</td><td>Implement responsible procurement, give preference to government-approved property and supplies, such as those with energy-saving labels, environmental labels, and green building materials, and implement</td><td>The green procurement accounted for 2.2% of the total procurement amount.</td><td>Scope 3</td><td>Green procurement accounted for 12.2%.</td></tr> </tbody> </table>			Issues	Climate goals (2023)		Scope of GHG emissions	Progress achieved	Climate Action	Taking 2020 as the base year, the Company already reduced the total amount of GHG (scopes 1+2) by more than 7.5% before 2023.	Kaohsiung Branch obtained silver-grade "Green Building Label" or higher by the end of Q4.	Scopes 1 and 2	Kaohsiung Branch obtained the golden green building mark.	By Q4 of 2022, the headquarters and business locations used more than 36% green power.	Scope 2	40.7% green power was consumed by the headquarters and business locations, and 298 renewable energy certificates (RECs) were obtained.	Purchased electric vehicles (automobiles and motorcycles) or hybrid cars reached 70% of the total corporate vehicles purchased in the current year.	Scope 1	100% of the corporate vehicles purchased in the current year are electric vehicles and hybrid vehicles.	Green Procurement	Implement responsible procurement, give preference to government-approved property and supplies, such as those with energy-saving labels, environmental labels, and green building materials, and implement	The green procurement accounted for 2.2% of the total procurement amount.	Scope 3	Green procurement accounted for 12.2%.
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		supplier sustainability management.			
	Green operation	Continue to expand the environment-related certifications.	Conduct "ISO 14064-1 GHG Inventory" throughout all business locations, "ISO 14001 Environmental Management System" throughout the business locations in North Taiwan, and "ISO 50001 Energy Management System" in the headquarters' self-owned building (including certificate renewal).	Scope 1	All certificates have been obtained upon the certification by a third-party organization.
		Continue to achieve the goals of water and waste reduction throughout all business locations domestically.	Taking 2022 as the base year, the total amount of waste was reduced by 2% in 2023.	Scope 3	The total amount derived by the Zhaoheng Building and all branches was 46,041 kg in 2023, which represented a decrease by 4,672 kg (-9.2%) based on the 2022 certainty value, 50,713 kg.
	Green investment	Implement the "Principles for Responsible Investment (PRI)"	The balance of domestic green, social responsibility or sustainable bonds investment reached NT\$2.8 billion.	Scope 3	The balance of domestic green bonds investment was NT\$4.419 billion.
			The balance of domestic sustainable development (long-term) equity investment was NT\$800 million.	Scope 3	The balance of long-term equity investment in sustainable development was NT\$1.639 billion.
			Scope 3 SBT investment goal already set, with the goal ratio 19.59% achieved in 2023.	Scope 3	Approximately 26.51% achieved in 2023.
	IX. GHG inventory and assurance status, as well as reduction goals, strategies and concrete action plans (to be specified in 1-1 and 1-2 separately).				
Please refer to Table 1-1 and 1-2 on Page53 for relevant information.					

1-1 The Company's GHG Inventory and Assurance in the Recent Two Years

1-1-1 GHG Inventory Information

State the GHG emission volume (metric tons CO ₂ e), intensity (metric tons CO ₂ e/NTD million), and data coverage for the most recent two years.				
(1) GHG emissions (metric tons CO ₂ e)				
Year	Direct emissions (Scope 1)	Indirect energy emissions (Scope 2)		Other indirect emissions (Scope 3)
		Location benchmark	Market benchmark	
2022	155.0882	607.9678	-	3,030.8289
2023	153.7027	621.9517	474.4417	688,438.6676
Description: 1. The "ISO 14064-1 Greenhouse Gas Inventory" Verification Statement showing the certification by SGS has been obtained in 2022. Notwithstanding, it has not been certified by a third-party organization in 2023. The complete assurance information will be disclosed on the Market Observation Post System.				
2. The market benchmark value in 2023 refers to the location benchmark value offsetting against the RECs for green power wheeling. The waste and investment and financing inventory were added into Scope 3.				
(2) GHG intensity (metric tons CO ₂ e/NTD million): Total emissions/Net income				
Year	GHG intensity			
2022	0.8975			
2023	221.095			

Description: The waste and investment and financing inventory were added into Scope 3 in 2023. The total emissions were calculated as Scope 1 + Scope 2 (market benchmark) + Scope 3.

(3) Data coverage: 9 business locations of the Company.

1-2 GHG reduction goals, strategies and concrete action plans

Describe the GHG reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of the reduction goals.

(1)The GHG reduction base year and data: Taking 2020 as the reduction base year, the Company's total emissions were 7,214.6678 metric tons CO₂e.

(2)Reduction goals (Note):

- A. Short-term goal: To reduce Scope 1+2 GHG emissions by 7.5% in 2023 from the base year, 2020.
- B. Mid-term goal: To reduce Scope 1+2 GHG emissions by 25% in 2030 from the base year, 2020.
- C. Long-term goal: Achieve net zero emissions by 2050.

(3) GHG reduction strategies and concrete action plans, and achievement of the reduction goals:

Reduction goals in 2023:	Reduction strategy	Concrete action plan	Achievement
Taking 2020 as the base year, the Company already reduced the total amount of GHG (scopes 1+2) by more than 7.5% before 2023.	Implement the energy saving and carbon reduction	Kaohsiung Branch obtained silver-grade "Green Building Label" or higher.	On November 15, 2023, Kaohsiung Branch was awarded the golden green building grade by the Taiwan Architecture & Building Center's assessment team.
	Procurement of green energy	The headquarters and business locations used more than 36% green power.	In 2023, the total power consumption of the headquarters was 737,725 kWh, of which 300,452 kWh was converted to green electricity, and the utilization ratio was 40.7%.
	Replacing and updating energy-consuming equipment and improving energy efficiency	Purchased electric vehicles (automobiles and motorcycles) or hybrid vehicles reached 70% of the total corporate vehicles purchased in the current year.	The Company has purchased 5 units of company vehicles, and 2 units of hybrid vehicles and 3 units of electric scooters have been delivered, which accounted for 100% of the total company vehicles purchased in the same year.

Note: In response to the Group's amendments to the GHG reduction goals, the 2024 goals adopted 2022 as the base year instead, the reduction ratio was adjusted to 42% in 2030, with the net zero emission to be achieved by 2050.

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	The Company is not listed on TWSE or TPEX, hence not required.
	V			

<p>(II) Has the company developed systematic practices for 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>	<p>V</p> <p>V</p>		<p>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.</p> <p>(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" have addressed operating activities 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 board of directors on a regular basis (at least once a year)?</p> <p>(III) Does the company have any policy that prevents conflict of</p>	<p>V</p> <p>V</p> <p>V</p>		<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> <p>(III) The Company's Procedures for Ethical Management and Guidelines for Conduct stipulate rules for avoiding</p>	

interest, and channels that facilitate the reporting of conflicting interests?			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 2023, there were 9 recusals of directors. For managers, except for personnel, remuneration and audit plans, there were no cases requiring the recusal of managers. In addition, the Company's "Employee Code of Conduct" clearly sets out the principle of avoidance of conflicts of interests. 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 2023. 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 2023 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 September 2023, 250 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 personnel to investigate the reported malpractices?	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, 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 2023.	
(II) Has the company implemented any standard procedures for	V		(II) The Company has outlined standard operating procedures and review criteria for misconduct reports, and requires all	

handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?			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.	
(III) Does the company assure malpractice reporters that they will not be mistreated for making such reports?	V		(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.	
IV. Enhanced information disclosure Has the company disclosed its integrity principles and progress onto its website and MOPS?	V		The Company's integrity activities are disclosed in annual reports and on the Company's website.	
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.				
VI. Other information relevant to understanding business integrity (e.g. review and amendment of existing integrity principles): The Company's Board of Directors adopted the amendment of the "Criteria for Handling Reported Cases" on September 26, 2023.				

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, 2023 to December 31, 2023, 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-Cheng Liao

President: Yao-Kuang Tsai

Chief Auditor: Ming-Pao Wang

Legal Compliance Officer: Hui-Lung Chung

Information Security Officer: Shih-Yi Chen

January 23, 2023

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

Reference date: December 31, 2023

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 bill 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 April 25, 2023, the 27nd meeting of the 16th Board of Directors passed resolutions on behalf of the general shareholders meeting:
Review Report on 2022 Financial Statements and Acknowledgement of 2022 Financial Statements by the Company's supervisors.

(II) On October 24, 2023, the 34th 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.”

(III) Resolutions passed during the 39th meeting of the 16th board held on February 27, 2024:

Proposal for capitalization of the Company’s 2023 earnings through issuance of new shares.

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 annual report:

March 31, 2024

Job Title	Name	Date of Appointment	Date Discharged	Cause of Resignation or Discharge
Corporate Governance Officer	Chin-Sheng Huang	2022.07.16	2024.01.16	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
2024.3	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, 2024

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

III. Diversification of Shareholdings

Par value of NT\$10 per share; March 31, 2024

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

Shares Name of Major Shareholders	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

Year		2022	2023	Year-to-date March 31, 2024
Item				
Market price per share	Maximum	-	-	-
	Minimum	-	-	-
	Average	-	-	-
Net value per share	Before allocation	26.83	30.96	31.26
	After allocation	26.83	(Note)	-
EPS	Weighted average outstanding shares	1,311,441,084	1,311,441,084	1,311,441,084
	EPS	2.32	1.46	0.46
Dividends per share	Cash dividends	0	0.80 (Note)	-
	Stock dividends	From earnings	1.525 (Note)	-
		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 2023 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.

VI. Dividends policy and implementation

(I) Dividends 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 Financial Holding Co., Ltd. is the Company's only shareholder. The Company plans to distribute cash dividends to shareholders NT\$1,049,152,867 in total, at NT\$0.80 per share, and stock dividends to shareholders at NT\$1.525 per share, amounting to NT\$2,000,000,000 in total. The cash dividend and stock dividend total NT\$3,049,152,867.

VII. Impact on the Company's business performance and EPS by the allocation of stock dividends discussed at this shareholders' meeting:

In accordance with the "Regulations Governing the Publication of Financial Forecast Information of Public Companies," as the Company did not disclose its financial forecast for 2023, the impact posed by disclosure of financial information shall not apply.

VIII. Employees'/Directors'/Supervisors' remuneration

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

1. Employees' remuneration

Profits concluded 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 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 2023 is NT\$47,128,405. 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 2023 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 40th meeting of the 16th Board of Directors on March

26, 2024, the cash distribution of employee remuneration for 2023 was NT\$48,777,899. The Company did not propose any share payment for employees'/directors'/supervisors' remuneration. The Board of Directors approved a cash distribution of NT\$48,777,899 for employee compensation for 2023. Compared with employees' compensation expenses recognized in the 2023 financial statements of NT\$47,128,405, the difference amounted to NT\$1,649,494. The profit and loss for 2024 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 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 actual cash distribution for employee compensation for 2022 was NT\$73,652,337. 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 were adjusted due to changes in the employee remuneration ratio.

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

IX. 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	2023		2022	
	Amount	As a proportion of total assets (%)	Amount	As a proportion of total assets (%)
Bills Business	145,539,869	51.29	129,349,071	52.71
Bonds Business	129,259,258	45.55	108,169,894	44.08
Equity investment business	2,656,806	0.94	1,597,373	0.65
Others	6,291,635	2.22	6,279,825	2.56
Total assets	283,747,568	100.00	245,396,163	100.00

2. Revenues

Unit: NT\$ thousands

Item \ Year	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Bills Business	4,117,332	57.69	3,161,098	52.38
Bonds Business	2,688,593	37.67	2,080,648	34.48
Equity investment business	167,107	2.34	116,082	1.92
Others	164,134	2.30	676,606	11.22
Total Revenues	7,137,166	100.00	6,034,434	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. Adjust credit customer structure and develop customers from non-real estate industries to expand the sources of bills, increase revenues from bills, and maintain the market share of bills.
3. Continue to promote responsible lending and develop financing business for low-carbon transformation and green industries per the competent authority's sustainable finance policies.
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 the transaction relationship 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. Subject to the environmental changes in the financial market, build up the position of foreign currency bonds at appropriate timing, with country and

industry risks diversified and profit margin optimized against the risks borne.

3. Enhance the development of credit customers and prospective customers to underwrite the secondary deals of foreign currency bonds; secure diversified and stable sources 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.
4. Buy convertible bonds issued by companies with good credit ratings and fixed income component of CBAS, in order to increase profits.
5. Keep paying attention to the green finance issues and implement responsible investment; secure an appropriate holding position of green bonds in consideration of the cost effectiveness.
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. Follow up the overall prosperity and cyclical changes in various industries, increase the involvement in research of the operating fundamentals of individual stocks, 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 and swing trade at the same time for capital gains.
2. Identify high-yield stocks with profit growth potential, stable dividend policy and good operating structure in various industries, and trade on dips or in batches to enhance overall income while maintaining risk control concurrently.
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.

II. 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, bill, and bond-related services within the local region.

2. Future market supply, demand and growth

(1) Market changes

1) In order to implement the effective allocation and fair use of credit resources under the government's "Real Estate Market Sound Program", the Central Bank has amended the "Regulations Governing the Execution of Real Estate Mortgage Loans by Financial Institutions by the Central Bank" for five times since December 2020. In July 2023, the new "Equalization of Land Rights Act" was implemented, and the "private legal person purchase permit system" and "restriction on pre-sale houses and new houses for contract resale" were amended.

2) The Financial Supervisory Commission released the "Green Finance Action Plan 3.0" and "Reference Guidelines for the Recognition of Sustainable Economic Activity" to encourage financial institutions to implement sustainable finance, drive enterprises' transformation to low carbon, disclose climate-related information, and result in Taiwan's transformation to a low-carbon or zero-carbon economy.

(2) Market conditions

1) Bills market

In 2023, the interest rate in the secondary market continued to rise due to the lift rate cycle, and the overall bills spread continued to narrow. Notwithstanding, in the primary market, the value of CP2 guaranteed by all bills financing businesses in 2022 was NT\$13.309896 trillion, a rise of NT\$1.23832 trillion (or 10.21%) from 2023, when the Company held a 29.81% market share. In 2023, all bills finance businesses conducted transactions worth NT\$34.616815 trillion in the primary market, and the Company conducted transactions worth NT\$9.70607 trillion, when the Company had a market share of 28.04%. The business has strengthened the Company status as the best performer in the bills financing sector.

Looking forward to the future, the inflation problem in various countries has been stabilized in 2024. Notwithstanding, there is still a high degree of uncertainty in the schedule and extent of the interest rate cut, and the corporate credit risk stays high. In order to maintain risk management and asset quality in the loan business, the Company will adopt the stable strategy. 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 2024. The interest rate spread of bills has been affected by the competition among peers and banks in the primary and secondary markets. It is difficult to upgrade for some fine-quality customers anymore. Therefore, it is necessary to deal with greater challenges in order to maintain the interest rate spread.

2) Bonds market

In 2023, multiple central banks led by the Fed still implemented the tight monetary policy. Although the commodity price has declined due to the cooling of global demand, the service price and housing price remained high due to the rigidity. Therefore, the inflation has not declined to the Fed's target scope. The 10-year U.S. bond yield has exceeded 5.00%, hitting the high record in the past 16 years. After the meeting in December, FOMC indicated that the tight monetary cycle might be over, and the market interpreted that the FED has turned to be a dovish, government bond yields have fallen, and interest rate has declined significantly. However, due to the repeated fluctuations shown by various economic data, the US bond yields remained volatile. The range of lift rates offered by the Central Bank of Taiwan were limited because Taiwan's inflation rate was thought to be very moderate. The NTD bond yield trend fluctuated primarily subject to the US bond yield rates. 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 keep fluctuating, as there is still the demand for replenishment of bonds in the entire bond market.

Looking forward to the future, bond yields are still fluctuating, and the RP cost of bonds is unlikely to drop rapidly in a short term, thereby resulting in the interest loss of foreign currency bonds and increased capital deployment pressure. The Company will buy positions with better yields subject to the market condition and changes in the yield rate and develop diversified and stable funding sources, in order to increase the overall yields on its bond positions.

3) Equity investment business

Benefited from the surging demand for AI servers in 2023, the electronics stocks of Taiwan stocks flourished, and the TAIEX gained steady performance. Looking forward to 2024, the Fed will release the indicator of interest rate cuts to guide market expectations. Changes in employment and economic growth will attract more attention. As the supply chain continues to control the inventory, the launch of new AI-related products and the resumption of shipments from the demand side will inject the new wave of operational potential into the enterprise. Notwithstanding, considering that Taiwan's stock market has been relatively high in recent years, and the uncertainties, such as the US-China confrontation, China's economic growth, political and economic changes on both sides of the Taiwan Strait, and international geopolitical conflicts, will still bring volatility to the market, investors still act sensitive, and market volatility will bring trading challenges.

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

1. Advantageous Factors

- (1) The Fed is expected to cut interest rates in 2024, and the interest rate spreads on bonds are expected to be widened.
- (2) With the advancement of FinTech, continue to streamline internal operating procedures and improve the organization's operational efficiency.
- (3) With the Group's extensive resources, items and sales may be merged for marketing to aid in business development.
- (4) 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.

2. Disadvantageous Factors

- (1) There is an increasing variety of funding 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.
- (2) The Central Bank continues selective credit controls, further restricts the inflow of funds to the real estate industry. Further, the implementation of the new law, Equalization of Land Rights Act, causes the real estate industry to face the downside risk, thereby affecting the development of new business.
- (3) The cumulative effect of tight monetary policy by the world's major central banks and the geopolitical risks increase the uncertainty in the global economy and inflation, thereby affecting the timing of the Fed's decision to cut interest rates.

3. Responsive strategies

- (1) Maintain long-term relationships with financial institutions and develop new private enterprise customers and secondary market individual customers with stable funds and low costs to improve capital efficiency and reduce funding cost to accommodate the changing financial environment.
- (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, and raise market share.
- (3) The Company will closely follow up changes in the U.S. macroeconomic data and monetary policy directions of the Fed. It will also pay attention to changes in the financial markets of stocks, bonds, foreign exchange, and commodities, review and adjust its overall position allocation on a rolling basis, and carefully select fine-quality companies with good outlook and

growth potentials in both revenue and profit to mitigate risks.

III. Financial Product Research and Overview of Business Development

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

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

1. R&D expenses

Unit: NT\$ thousands

Item	R&D expenses	
	2023	2022
Costs of employee participation in various research and training programs	1,844	1,645

2. R&D results

(1) 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 bond yields and increase the diversity of bond 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.

(2) 2023

- 1) Replace the core system host integration system to improve the operating efficiency and help digital development.
- 2) Implement a financial statement recognition system and use OCR technology to convert the text of paper financial statements into digital data that is transferred to the Company's credit system.
- 3) Plan to establish the E-loan credit investigation and extension process management system to provide effective management of credit investigation and credit extension procedures, so that the relevant contractors can quickly review the cases and verify the latest processing status, thereby improving operational efficiency and saving paper consumption.
- 4) Optimize the online learning platform system to improve the learning function and effect.
- 5) 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.
- 6) Continue to optimize the ESG-related systems to support the green industry and promote the society's sustainable development.

(3) Future R&D plans

- 1) Continue to develop the E-loan credit investigation process management system to improve the efficiency of business processing and facilitate

remote working.

- 2) Build a mortgage backed securities (MBS)-related transaction and control system, expand the scope of business insofar as the security is maintained, and increase the yield and sources of profits.
- 3) Replace and update remote backup firewalls and switches for operational network equipment to prevent information security vulnerability and strengthen information security capabilities.
- 4) Replace and update data disk racks and UPS to cope with the digital transformation of the system or the storage of big data required for development, and to maintain the stable power supply of equipment in the control room.

IV. 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 low-carbon transformation, green industry, and any industries 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.
3. Monitor the Central Bank's monetary policy and financial conditions, regulate the primary and secondary trading dates and interest rates, expand the interest rate spread between the issuance and trading of bills, and diversify and develop funding sources for low-interest and stable NTD and foreign currency bonds.
4. Adequate control the NTD and foreign currency bonds positions and time limit of risk for risk avoidance and higher gains concurrently.
5. Search for quality CB and CBAS targets, invest in creditworthy stocks with good dividend yields, and increase trading positions.
6. Promote responsible lending and investment in response to the implementation

plan of the Group's sustainable finance policy to fulfill the institutional investor's stewardship.

7. 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.
8. 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.
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. To expand the AUM and increase business revenues.
2. To consolidate advantage in corporate banking and deepen cross-selling.
3. To improve corporate governance standards and pursue sustainable development.
4. To improve operating efficiency, optimize operations and increase returns.
5. To strengthen risk management and implement internal and external legal compliance.
6. To protect intellectual property and increase investment in digital information.
7. To encourage and enhance employees value and train digital talents.
8. Build a digital culture and encourage R&D and innovation

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

Year		2022	2023	Up to March 31, 2024
Number of employees	Staff	223	216	215
	Total	223	216	215
Average age		44.47	44.32	44.34
Average length of service		14.68	14.24	14.26
Distribution of academic background	PhD	0	0	0
	Master	122	124	123
	Bachelor	98	91	91
	Senior high school	3	1	1
	Below senior high school	0	0	0
Professional certificates held by employees	Bill Finance Specialist	222	214	212
	Securities Investment Analyst	10	8	7
	Senior Securities Specialist	165	155	154
	Securities Specialist	98	101	101
	Securities Investment Trust and Consulting Professional	96	93	92
	Trust Operations Personnel	132	128	128
	Futures Specialist	71	66	65
	Derivatives Sales Personnel	13	14	15
	Anti-money Laundering (AML) and Combating Terrorism Financing Specialist	10	10	10
	Bank Internal Control Specialist	108	105	106
	Financial Planning Personnel	63	58	57
	Basic Foreign Exchange Personnel	26	26	27
	Basic Bank Lending Personnel	61	62	64
	Advanced Bank Lending Personnel	5	4	4

Year		2022	2023	Up to March 31, 2024
	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 47 and 54 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	2023	2022	Difference (%)
Employee count (Note)	227	237	-4.22%
Mean salary	1,572	1,657	-5.13%
Average and median salary	1,297	1,362	-4.77%

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

Financial Information

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				
	2023	2022	2021	2020	2019
Cash, cash equivalents, deposit at Central Bank and peer banks	314,288	351,332	337,259	310,489	356,298
Financial assets at fair value through profit and loss	155,719,507	138,802,548	132,751,383	159,366,161	127,382,706
Financial Assets at Fair Value Through Other Comprehensive Income	121,923,201	100,475,481	114,538,586	139,211,496	126,416,773
Debt Instruments Carried at Cost After Amortization	451,578	449,151	402,162	406,437	431,553
Bills and bonds purchased under resale agreements	-	-	-	-	-
Receivables - net	1,565,496	1,073,254	1,120,769	1,404,106	2,303,800
Other financial assets - net	266,363	471,170	504,509	471,412	585,426
Property, plant and equipment - net	377,664	362,935	353,761	356,187	353,131
Right-of-use assets - net	110,683	148,905	12,249	36,870	73,532
Investment properties - net	2,453,776	2,464,440	2,475,104	2,485,768	2,496,432
Intangible assets - net	13,537	7,403	8,529	6,522	6,195
Deferred income tax assets - net	477,810	724,536	197,736	185,044	135,853
Other assets	73,665	65,008	58,645	64,974	59,540
Total assets	283,747,568	245,396,163	252,760,692	304,305,466	260,601,239
Interbank overdraft and call loans	19,229,056	7,982,322	17,350,762	17,012,187	14,132,031
Financial liabilities at fair value through profit and loss	24,349	94,673	29,122	-	2,475
Bills and bonds payable under repurchase agreements	220,295,676	197,969,284	189,737,223	241,164,641	204,173,461

Item \ Year		Financial information for the last five years				
		2023	2022	2021	2020	2019
Payables		657,146	554,995	531,342	507,353	592,668
Current income tax liabilities		89,130	445,735	632,641	544,324	136,891
Liabilities reserve		2,560,110	2,576,840	2,985,472	2,823,445	2,589,139
Lease liabilities		111,312	149,269	12,127	37,070	73,785
Deferred income tax liabilities		46,570	32,178	244,851	607,047	324,149
Other liabilities		137,123	407,070	251,387	202,476	299,415
Total liabilities	Before allocation	243,150,472	210,212,366	211,774,927	262,898,543	222,324,014
	After allocation	Note	210,212,366	214,056,834	264,806,690	224,152,163
Equity attributable to parent company shareholders		40,597,096	35,183,797	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		328,010	320,929	320,929	320,929	320,929
Retained earnings	Before allocation	27,974,128	25,539,109	24,745,092	23,393,231	22,499,419
	After allocation	Note	25,539,109	22,463,185	21,485,084	20,671,270
Other equity		(819,453)	(3,790,652)	2,805,333	4,578,352	2,342,466
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before allocation	40,597,096	35,183,797	40,985,765	41,406,923	38,277,225
	After allocation	Note	35,183,797	38,703,858	39,498,776	36,449,076

Note: As of the annual report's publication date, the 2023 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				
	2023	2022	2021	2020	2019
Interest Income	4,952,001	3,348,239	2,702,451	3,245,618	3,490,129
Less: Interest Expense	(3,874,718)	(1,509,561)	(503,632)	(1,050,854)	(1,940,494)
Interest income, net	1,077,283	1,838,678	2,198,819	2,194,764	1,549,635
Revenues other than interest income, net	2,039,326	2,388,388	2,797,855	2,489,776	2,351,222
Net income	3,116,609	4,227,066	4,996,674	4,684,540	3,900,857
Provisions	4,526	308,285	(132,586)	(252,093)	69,684
Operating expenses	(811,843)	(833,849)	(868,279)	(827,041)	(804,561)
Income before income tax from operating unit	2,309,292	3,701,502	3,995,809	3,605,406	3,165,980
Income tax (expense) gain	(389,062)	(661,219)	(717,847)	(674,409)	(540,628)
Net income (loss) from operating unit	1,920,230	3,040,283	3,277,962	2,930,997	2,625,352
Income (loss) from discontinued operations	-	-	-	-	-
Net Income (loss)	1,920,230	3,040,283	3,277,962	2,930,997	2,625,352
Other comprehensive income for the current period (net of tax expense)	3,485,988	(6,560,344)	(1,790,973)	2,026,850	2,147,657
Comprehensive Income for the current period	5,406,218	(3,520,061)	1,486,989	4,957,847	4,773,009
Income attributable to parent company shareholders for the current period	1,920,230	3,040,283	3,277,962	2,930,997	2,625,352
Income attributable to non-controlling shareholders for the current period	-	-	-	-	-
Comprehensive income attributable to parent company shareholders for the current period	5,406,218	(3,520,061)	1,486,989	4,957,847	4,773,009
Comprehensive income attributable to non-controlling shareholders for the current period	-	-	-	-	-
EPS (NT\$)	1.46	2.32	2.50	2.23	2.00

II. Independent Auditor's Names and Opinion

Year	Name of accounting firm	CPA's Name	Audit opinion
2023	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				
		2023	2022	2021	2020	2019
Managerial ability	Average number of days of bill and bond holding	10.50	10.08	9.55	8.49	7.60
	NPL ratio	0	0.01	0	0	0
	Total assets turnover rate	0.01	0.02	0.02	0.02	0.01
	Average yield per employee	14,429	18,955	22,712	21,993	18,936
	Average profit per employee	8,890	13,634	14,900	13,761	12,744
Profitability	ROA (%)	0.73	1.22	1.18	1.04	1.00
	ROE (%)	5.07	7.98	7.96	7.36	7.10
	Net profit margin (%)	61.61	71.92	65.60	62.57	67.30
	EPS (NT\$)	1.46	2.32	2.50	2.23	2.00
Financial structure	Liability to total assets ratio (%)	84.91	84.75	82.78	85.60	84.49
	Property and equipment to stockholder equity ratio (%)	0.93	1.03	0.86	0.86	0.92
Growth rate	Asset growth rate (%)	15.63	-2.91	-16.94	16.77	-1.58
	Profit growth rate (%)	-37.61	-7.37	10.83	13.88	3.38
Cash flow	Cash flow ratio (%)	N/A	5.68	0.80	N/A	5.10
	Cash flow adequacy ratio (%)	297.96	336.38	226.44	206.27	265.71
Credit extended to stakeholders		0	0	0	0	0
Percentage of credits extended to stakeholders (%)		0	0	0	0	0
Scale of operations	Asset market share (%)	25.31	23.60	24.00	27.55	25.98
	Net value market share (%)	29.61	29.19	29.75	29.74	29.80
	Market share for guaranteed CP2(%)	30.37	29.99	30.53	30.16	30.03
	Market share for each type of bill and bond issue and first time purchase (%)	29.32	27.41	25.28	25.57	26.18
	Market share for each type of bill and bond transaction (%)	27.12	25.93	26.33	26.70	27.15
Capital adequacy ratio	Capital adequacy ratio (%)	14.09	13.56	13.41	13.21	13.58
	Eligible capital	39,210,773	34,036,972	39,029,515	38,990,116	36,622,230
	Total value of risk assets	278,290,892	250,945,272	291,004,134	295,070,091	269,696,338
	Tier 1 capital as a % of total risk-weighted assets	13.96	13.53	12.95	12.39	13.16

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

1. The decrease in non-performing loan ratio was mainly due to no overdue loans in the current period.
2. Total asset turnover rate decreased mainly due to lower asset yields, which reduced net revenues.
3. The decrease in revenue per employee and profit per employee was mainly due to the decrease in profit in the current period.
4. The decrease in return on assets, return on equity and earnings per share was mainly due to a decrease in the current profit.
5. The increase in asset growth rate was mainly due to the increase in the holdings of bills and bonds assets in the current period.
6. The decrease in profit growth rate is mainly due to the decrease in net interest income from bonds and gains on disposal of bonds, and the recognition of Core Pacific City's dividend income, NT\$374 million, in the same period last year, thereby resulting in a decrease in net income before tax.
7. Cash flow from operating activities resulted in a net outflow, hence cash flow ratio was not applicable.

Note: Equations for analysis items:

1. Managerial ability

- (1) Average number of days of bills and bonds holdings = $365 / \text{bills/bond turnover rate}$
(Bills/bonds turnover rate = Amount of each type of bill or bond 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 = $\text{Net cash flow from operating activities for the most recent five years} / (\text{capital expenditure} + \text{cash dividends}) \text{ for the most recent five years}$.

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 = Balance of guaranteed CP2/total balance of CP2 guaranteed and endorsed by all bills financial companies.
- (4) Market share for each type of bill and bond issue and first time purchase = Amount of each type of bill and bond issue and first time purchase/total amount of each type of bill and bond issue and first purchase by all bills financial companies.
- (5) Market share for each type of bill and bond transaction = Amount of each type of bill and bond transaction/total amount of each type of bill and bond transaction by all bills financial companies.

7. Capital adequacy ratio

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

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: Yung-Chen Huang

Supervisor: Yi-Ming Ko

February 27, 2024

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 TRANSLATED FROM CHINESE

PWCR23000433

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, 2023 and 2022, 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 2023 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 2023 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 the 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, 2023, Mega Bills Finance Co., Ltd. provisioned NT\$2,234,349 thousand for the reserve of guarantee liabilities. Please refer to Note 6(17) for the 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 is 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 whether the assumptions are reasonable and 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 27, 2024

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MEGA BILLS FINANCE CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1) and 7	\$ 314,288	-	\$ 351,332	-
12000	Financial assets at fair value through profit or loss	6(2)(7), 7 and 8	155,719,507	55	138,802,548	57
12100	Financial assets at fair value through other comprehensive income	6(3)(7), 7 and 8	121,923,201	43	100,475,481	41
12200	Investments in debt instruments at amortised cost	6(4)(7)	451,578	-	449,151	-
13000	Receivables – net	6(6)	1,565,496	1	1,073,254	1
15500	Other financial assets – net	6(9), 7 and 8	266,363	-	471,170	-
18500	Property and equipment – net	6(10)	377,664	-	362,935	-
18600	Right of use asset – net	6(11) and 7	110,683	-	148,905	-
18700	Investment property – net	6(12)	2,453,776	1	2,464,440	1
19000	Intangible assets – net		13,537	-	7,403	-
19300	Deferred income tax assets	6(30)	477,810	-	724,536	-
19500	Other assets – net	6(13) and 7	73,665	-	65,008	-
TOTAL ASSETS			\$ 283,747,568	100	\$ 245,396,163	100
Liabilities and equity						
21000	Interbank overdraft and call loans	6(14), 7 and 8	\$ 19,229,056	7	\$ 7,982,322	4
22000	Financial liabilities at fair value through profit or loss	6(15)	24,349	-	94,673	-
22500	Bills and bonds payable under repurchase agreements	6(2)(3)(4)(5)(7) and 7	220,295,676	78	197,969,284	81
23000	Payables	6(16)	657,146	-	554,995	-
23200	Current income tax liabilities	6(30) and 7	89,130	-	445,735	-
25600	Provisions for liabilities	6(17)(18)	2,560,110	1	2,576,840	1
26000	Lease liabilities	6(11) and 7	111,312	-	149,269	-
29300	Deferred income tax liabilities	6(30)	46,570	-	32,178	-
29500	Other liabilities		137,123	-	407,070	-
TOTAL LIABILITIES			243,150,472	86	210,212,366	86
31101	Common stocks	6(19)	13,114,411	5	13,114,411	5
31500	Capital surplus	6(20)	328,010	-	320,929	-
32000	Retained earnings	6(21)				
32001	Legal reserve		23,170,766	8	22,247,989	9
32003	Special reserve		2,368,343	1	203,090	-
32005	Unappropriated retained earnings		2,435,019	1	3,088,030	1
32500	Other equity interest		(819,453)	(1)	(3,790,652)	(1)
TOTAL EQUITY			40,597,096	14	35,183,797	14
TOTAL LIABILITIES AND EQUITY			\$ 283,747,568	100	\$ 245,396,163	100

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31						Changes Percentage (%)
		2023		2022				
Items	Notes	AMOUNT	%	AMOUNT	%			
41000	Interest income	6(22) and 7	\$ 4,952,001	159	\$ 3,348,239	79	48	
51000	Less : interest expense	6(22) and 7	(3,874,718)	(124)	(1,509,561)	(36)	157	
	Interest income, net		1,077,283	35	1,838,678	43	(41)	
	Non-interest income, net							
49100	Service fee and commission income, net	6(23) and 7	1,212,361	39	1,230,816	29	(1)	
49200	Gain or loss from financial assets and liabilities at fair value through profit or loss	6(2)(15)(24) and 7	562,131	18	411,015	10	37	
49310	Realized gain on financial assets at fair value through other comprehensive income	6(3)(25)	161,882	5	575,454	14	(72)	
49600	Foreign exchange gain or loss		3,757	-	18,646	-	(80)	
55000	Impairment (loss) reversal of gain on assets	6(3)(4)(6)	(15,691)	(1)	1,899	-	(926)	
49800	Other non-interest income or loss, net							
49851	Leasehold income		112,684	4	115,735	3	(3)	
48001	Others		2,202	-	34,823	1	(94)	
	Net revenues		3,116,609	100	4,227,066	100	(26)	
58200	Provisions	6(26)	4,526	-	308,285	8	(99)	
	Operating expenses							
58500	Employee benefit expense	6(18)(27)	(543,683)	(18)	(585,151)	(14)	(7)	
59000	Depreciation and amortization	6(10)(11)(12)(28)	(75,019)	(2)	(71,448)	(2)	5	
59500	Other business and administrative expenses	6(29) and 7	(193,141)	(6)	(177,250)	(4)	9	
	Total operating expenses		(811,843)	(26)	(833,849)	(20)	(3)	
61001	Income before income tax from operating unit		2,309,292	74	3,701,502	88	(38)	
61003	Income tax expense	6(30)	(389,062)	(13)	(661,219)	(16)	(41)	
64000	Net income		<u>\$ 1,920,230</u>	<u>61</u>	<u>\$ 3,040,283</u>	<u>72</u>	(37)	
	Other comprehensive income							
	Not reclassifiable to profit or loss:							
65201	Remeasurement of defined benefit plans	6(18)	(\$ 773)	-	\$ 45,899	1	(102)	
65204	Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	6(3)	992,057	32	(540,930)	(13)	(283)	
65220	Income tax relating to items that are not reclassifiable to profit or loss	6(30)	155	-	(9,180)	-	(102)	
	Potentially reclassifiable to profit or loss subsequently:							
65309	Losses on investments in debt instruments measured at fair value through other comprehensive income	6(3)	2,729,096	88	(6,821,893)	(161)	(140)	
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	(234,547)	(8)	765,760	18	(131)	
65000	Total other comprehensive loss, net of tax		3,485,988	112	(6,560,344)	(155)	(153)	
66000	Total comprehensive (loss) income		<u>\$ 5,406,218</u>	<u>173</u>	<u>(\$ 3,520,061)</u>	<u>(83)</u>	(254)	
67500	Earnings per share							
	Basic and diluted earnings per share	6(31)	\$ 1.46		\$ 2.32			

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars.)

	Retained Earnings					Gains or losses on financial assets measured at fair value through other comprehensive income	Total equity
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
<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	\$ 13,114,411	\$ 320,929	\$ 22,247,989	\$ 203,090	\$ 3,088,030	(\$ 3,790,652)	\$ 35,183,797
<u>For the year ended December 31, 2023</u>							
Balance at January 1, 2023	\$ 13,114,411	\$ 320,929	\$ 22,247,989	\$ 203,090	\$ 3,088,030	(\$ 3,790,652)	\$ 35,183,797
Net income for 2023	-	-	-	-	1,920,230	-	1,920,230
Total other comprehensive income (loss) for 2023	-	-	-	-	(618)	3,486,606	3,485,988
Total comprehensive income for 2023	-	-	-	-	1,919,612	3,486,606	5,406,218
Appropriation of 2022 earnings							
Legal reserve	-	-	922,777	-	(922,777)	-	-
Special reserve	-	-	-	2,165,253	(2,165,253)	-	-
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	515,407	(515,407)	-
Share-based payment transaction	-	7,081	-	-	-	-	7,081
Balance at December 31, 2023	\$ 13,114,411	\$ 328,010	\$ 23,170,766	\$ 2,368,343	\$ 2,435,019	(\$ 819,453)	\$ 40,597,096

MEGA BILLS FINANCE CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,309,292	\$ 3,701,502
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	64,997	62,931
Amortization	6(28)	10,022	8,517
Provision for bad debts and various reserves	6(26)	(4,352)	(307,891)
Interest income	6(22)	(4,952,001)	(3,348,239)
Dividend income	6(24)(25)	(170,680)	(510,059)
Interest expense	6(22)	3,874,718	1,509,561
Impairment (reversal of gain) loss on assets		15,691	(1,899)
Gain on disposal of property and equipment		-	(47)
Employee share-based payment expenses		7,081	-
Changes in operating assets and liabilities			
Changes in operating assets			
Increase in financial assets at fair value through profit or loss	(	16,916,959)	(6,051,165)
(Increase) decrease in financial assets at fair value through other comprehensive income	(	17,742,062)	6,702,241
Increase in investments in debt instruments measured at amortised cost	(	2,424)	(47,017)
(Increase) decrease in receivables	(	114,663)	127,607
Decrease in other financial assets		204,807	33,339
Increase in other assets	(	12,381)	(9,423)
Changes in operating liabilities			
(Decrease) increase in financial liabilities at fair value through profit or loss	(	70,324)	65,551
Increase in bills and bonds payable under repurchase agreements		22,326,392	8,232,061
Increase (decrease) in payables		48,318	(99,478)
Decrease in provisions for liabilities	(	20,406)	(47,587)
(Decrease) increase in other liabilities	(	269,947)	155,683
Interest received		4,581,504	3,260,860
Interest paid	(	3,820,885)	(1,386,430)
Dividend received		170,654	510,059
Income tax paid	(	718,941)	(831,018)
Net cash flows (used in) from operating activities	(	11,202,549)	11,729,659
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	6(10)	(29,784)	(22,721)
Proceeds from disposal of property and equipment		-	47
Acquisition of intangible assets	(	9,166)	(1,270)
Acquisition of other assets	(	3,266)	(3,061)
Net cash flows used in investing activities	(	42,216)	(27,005)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in interbank overdraft and call loans		11,246,734	(9,368,440)
Principal repayments of lease liabilities	(	39,013)	(38,234)
Payments of cash dividends		-	(2,281,907)
Net cash flows from (used in) financing activities		11,207,721	(11,688,581)
Net (decrease) increase in cash and cash equivalents	(	37,044)	14,073
Cash and cash equivalents at beginning of year	6(1)	351,332	337,259
Cash and cash equivalents at end of year	6(1)	\$ 314,288	\$ 351,332

Risk Management

One. Quantitative information about various risks:

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

March 31, 2024

Unit: NT\$ thousands

Exposure type	Capital requirement	Risk-weighted assets
Sovereign state	0	0
Non-central government public sectors	5,554	69,429
Bank (including multilateral development banks)	155,694	1,946,180
Corporate (including securities and insurance company)	14,486,871	181,085,885
Retail creditor's right	83,123	1,039,037
Investments in equity securities	523	6,534
Credit extended to parent company or subsidiary and credit secured by marketable securities issued by parent company or subsidiary	0	0
Other assets	283,443	3,543,036
Total	15,015,208	187,690,101

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

March 31, 2024

Unit: NT\$ thousands

Year	Gross Profits	Capital requirement	Risk-weighted assets
2023	3,130,098		
2022	4,190,344		
2021	4,968,538		
Total	12,288,980	614,449	7,680,613

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

March 31, 2024

Unit: NT\$ thousands

Type	Capital requirement	Risk-weighted assets
Interest rate risk	6,561,663	82,020,785
Equity security risk	1,031,929	12,899,112
Foreign exchange risk	144,920	1,811,500
Product risk	0	0
Stock option processed with simplified method	0	0
Total	7,738,512	96,731,397

(IV) Liquidity risk

Analysis on Maturity of Assets and Liabilities

March 31, 2024

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	294,668	96,153	59,562	7,604	10,443	120,906
Liabilities	261,114	233,199	26,650	1,003	165	97
Deficit	33,554	-137,046	32,912	6,601	10,278	120,809
Accumulated deficit	-	-137,046	-104,134	-97,533	-87,255	33,554