

Mega Financial Holding Co., Ltd.
Handbook for the 2017 Annual Meeting of Shareholders
(Summary Translation)

Meeting Time: June 16, 2017

Place: 13th Floor, No. 100, Jilin Road, Taipei

(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

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Mega Financial Holding Co., Ltd.

Procedure for the 2016 Annual Meeting of Shareholders

1. Call the Meeting to Order
2. Chairperson Remarks
3. Company Reports
4. Matters for Recognition
5. Matters for Discussion
6. Questions and Motions
7. Adjournment

Mega Financial Holding Co., Ltd.

Year 2017

Agenda of Annual Meeting of Shareholders

Time: 09:00 a.m. on Friday, June 16, 2017

Place: 13/F, Jilin Bldg. of Mega International Commercial Bank (the “Bank”)

No. 100, Jilin Road, Taipei, Taiwan

Attendants: Shareholders or their representatives

Chairperson: Chairman Chao-Shun Chang

1. Announce a quorum is present and call the meeting to order

2. Chairperson Remarks

3. Company Reports

- (1) 2016 Business Report
- (2) Audit Committee’s Review Report on the 2016 Financial Statements
- (3) The Distribution of Employees’ and Directors’ Remuneration for the Year 2016
- (4) Report on the Promulgation of Relevant Laws and Regulations Governing the Holding of Voting Shares of the Same Financial Holding Company Exceeding a Certain Percentage by a Same Person or Same Affiliated Person

4. Matters for Recognition

- (1) Adoption of the 2016 Business Report and Financial Statements
- (2) Adoption of the Proposal for Distribution of 2016 Earnings

5. Matters for Discussion

- (1) Amendment to the Company’s “Procedures for Acquisition or Disposal of Assets”
- (2) Proposal of Releasing the Prohibition of Directors from Participation in Competitive Business

6. Questions and Motions

7. Adjournment

Company Reports

Agenda 1: 2016 Business Report. (Proposed by the Board of Directors)

Explanation: The 2016 Business Report is attached as Attachment 1 (p. 11).

Agenda 2: Audit Committee's Review Report on the 2016 Financial Statements.
(Proposed by the Board of Directors)

Explanation: The 2016 Audit Committee's Review Report is attached as Attachment 2
(p. 20).

Agenda 3: The Distribution of Employees' and Directors' Remuneration for the Year
2016. (Proposed by the Board of Directors)

Explanation:

- (1) This proposal is made in accordance with Article 235-1 of the Company Act and Article 31-1 of the Company's Articles of Incorporation.
- (2) The Company has distributed employees' remuneration of NT\$ 10,705,074 and directors' remuneration of NT\$ 114,648,956 for the year 2016. Both are distributed in cash.
- (3) This proposal has been approved by the 28th meeting of the 6th term of Board of Directors on March 28, 2017.

Agenda 4: Report on the Promulgation of Relevant Laws and Regulations Governing the Holding of Voting Shares of the Same Financial Holding Company Exceeding a Certain Percentage by a Same Person or Same Affiliated Person. (Proposed by the Board of Directors)

Explanation:

- (1) It is handled in accordance with the Letter No.10060005190 dated Jan. 31, 2012 issued by the Financial Supervisory Commission (FSC).
- (2) Relevant laws and regulations are as follows:
 - i. In accordance with Paragraphs 2 and 3 of Articles 16 of the Financial Holding Company Act, a same person or same affiliated person who individually, jointly or collectively holds more than 5% of the financial holding company's outstanding voting shares shall report such fact to the FSC within 10 days from the day of such holding; the same provision shall apply to each cumulative increase or decrease in the shares of the same person or same affiliated person by more than 1% thereafter. A same person or same affiliated person who intends to individually, jointly or collectively acquire more than 10%, 25% or 50% of the financial holding company's outstanding voting shares shall apply for prior approval from the FSC. The definitions of a person or affiliated person and the situation where the holding of shares is excluded are expressly defined in Articles 4 and 5 in the Financial Holding Company Act.
 - ii. Where the same person or the same affiliated person who holds voting shares issued by a financial holding company without filing a report with the FSC or obtaining approval from the FSC in accordance with Paragraph 10 of Article 16 of the Financial Holding Company Act, the excess shares held by such same person or same affiliated person shall not have voting rights and shall be disposed of within the given period prescribed by the FSC. In the event of violation, a fine not less than NT\$2 million but not more than NT\$10 million may be imposed in accordance with Article 60 of the Financial Holding Company Act. If such person is elected as a director, supervisor or the responsible person of a financial holding company, such person shall be considered to have engaged in dishonest or improper activities which indicate that he/she is unfit to serve as a responsible person of a financial holding company as set forth in Subparagraph 13 of Article 3 of the "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company".

Matters for Recognition

Agenda 1: Adoption of 2016 Business Report and Financial Statements.

(Proposed by the Board of Directors)

Explanation: The Company financial statements were audited by CPA, Chou, Chien-Hung and Huang, King-Tse, of PricewaterhouseCoopers. The Financial Statements described above and the Business Report of 2016 have been authorized by the Board and examined by the Audit Committee. The 2016 Business Report and Financial Statements are attached as Attachment 1 (p. 11) and Attachment 3 (p. 21).

RESOLUTION:

Agenda 2: Adoption of the Proposal for Distribution of 2016 Earnings.

(Proposed by the Board of Directors)

Explanation:

- (1) The proposal is handled pursuant to Article 228 of the Company Act and Article 31 of the Company's Articles of Incorporation.
- (2) The Company's beginning undistributed retained earnings for 2016 is NT\$34,991,399,220, deducting the actuarial losses made for re-measurements of defined benefit plans NT\$470,607,412, adding the Company's 2016 earnings of NT\$22,456,183,337, and deducting the 10% legal reserve NT\$2,245,618,334 and the special reserve NT\$459,159,787, the distributable earnings for 2016 is NT\$54,272,197,024. Pursuant to the Company's Articles of Incorporation and related regulation, the Board of Directors is proposed to distribute NT\$ 1.42 per share in cash with aggregate cash dividends of NT\$19,311,750,056.
- (3) To accommodate the adoption of income tax integration, the aforementioned cash dividends will be distributed to shareholders from the 2016 earnings as a priority.
- (4) After this proposal is approved by the annual general shareholders' meeting, the board is authorized to set the ex-dividend date.
- (5) The amount of cash dividends per share shall be calculated and truncated to NT\$1. The sum of all cash dividends less than NT\$1 shall be allocated in line with a progressive decrease in decimal numbers and a progressive increase in shareholders' ID number so that the total dividend distribution is fully paid.
- (6) If the number of shares outstanding is changed due to share buyback, transfer, conversion, cancellation of treasury shares or other circumstances, the board is authorized to adjust the dividend payout ratio based on the cash dividend resolved to be distributed and the number of shares outstanding on the ex-dividend record date.
- (7) The 2016 Profit Distribution Proposal is attached as Attachment 4 (p. 39).

RESOLUTION:

Matters for Discussion

Agenda 1: Amendment to the Company's "Procedures for Acquisition or Disposal of Assets". (Proposed by the Board of Directors)

Explanation:

- (1) In order to comply with the amendments made to the Regulations Governing the Acquisition or Disposal of Assets by Public Companies, the Company hereby propose to amend 12 articles and delete 1 article of the Company's Procedures for Acquisition or Disposal of Assets.
- (2) The key points of this amendment are provided as follows:
 - i. "Derivatives" and their definition are added in related articles. (Articles 3, 4 and 6)
 - ii. The article specifying work allocation among various departments for public announcement and filing procedures is deleted. (Article 12)
 - iii. An amendment is made to exempt the requirement of obtaining an expert opinion in case of mergers with, directly or indirectly, wholly-owned subsidiaries. (Article 17)
 - iv. The threshold triggering public announcement and reporting requirement is raised from NT\$500 million per transaction to NT\$1 billion for transactions involving equipment for business use with an unrelated party. (Article 25)
- (3) The Comparison of the Amended Provisions of the Procedures for Acquisition or Disposal of Assets is attached as Attachment 5 (p. 40).
- (4) This proposal has been approved by the 28th meeting of the 6th term of Board of Directors on March 28, 2017.

RESOLUTION:

Agenda 2: Proposal of Releasing the Prohibition of Directors from Participation in Competitive Business (Proposed by the Board of Directors)

Explanation:

- (1) In accordance with Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure its approval.
- (2) Certain directors, including juristic person and its representative, of the Company participate in the operations, or appoint representative to serve as Director or Executive Vice President, of another company that engages in the same or similar business as the Company. These Directors have not obtained approval from the shareholders' meeting. It is proposed that the shareholders' meeting release the following directors from the non-competition restrictions according to the Article 209 of the Company Act.

Position	Name of Director	Concurrent Position	Position Held
Chairman	Chao-Shun Chang	Taiwan Stock Exchange Corporation	Director
Director (concurrently President)	Li-Yen Yang	Financial Information Service Co., Ltd.	Director
Independent Director	Tsun-Siou Li	Taiwan Futures Exchange Corporation	Director
Director	Ye-Chin Chiou	Bank of Taiwan Co., Ltd.	Executive Vice President
Director	Chiu-Fa Tsai	China Investment Limited Company	Director
Juristic Person Shareholder	Ministry of Finance	Taiwan Financial Holding Co., Ltd.	Director
		Land Bank of Taiwan Co., Ltd.	Director
		The Export-Import Bank of the Republic of China	Director
		Taiwan Cooperative Holding Co., Ltd.	Director
		First Financial Holding Co., Ltd.	Director
		Hua Nan Financial Holdings Co., Ltd.	Director
		Chang Hwa Commercial Bank, Ltd.	Director
		Taiwan Business Bank, Ltd.	Director
Juristic Person Shareholder	Bank of Taiwan Co., Ltd.	Hua Nan Financial Holdings Co., Ltd.	Director
		China Development Financial Holding Corporation	Director
		First Financial Holding Co., Ltd.	Director
		Taiwan Business Bank, Ltd.	Director
		Taiwan Fire & Marine Insurance Co., Ltd.	Director

- (3) This proposal has been approved by the 28th meeting of the 6th term of Board of Directors on March 28, 2017.

RESOLUTION:

Questions and Motions

Attachment 1

Mega Financial Holding Co., Ltd. 2016 Business Report

Affected by the slowing global demand and the slide in raw material prices, the global economic performance of 2016 remained undesirable. With advanced countries such as the United States continuing to suffer from sluggish exports and weakened investment momentum for the first half of the year, the economy recovery pace continued to slow down. For the second half of the year, on the other hand, the global economy gradually improved in the midst of stabilizing energy prices and global demand gaining momentum. According to the International Monetary Fund (IMF)'s estimates in January 2017, the global economic growth rate of 2016 was 3.1%, the lowest level since the financial crises. The global economy will gradually recover in 2017. The estimated global economic growth rate is 3.4%. There are, however, numerous risk variables facing the global economy at present that are worth paying attention to continuously, including the economic and trade policy stances and interest increasing pace of the new US administration, the growth momentums of Mainland China and emerging economies, the anti-establishment wave in Europe, geopolitical risks, changes in prices of international raw materials, and surging trade protectionism. All of these have an effect on the global economic prospect.

Domestically, the economy did not show any significant improvements for the first half of 2016, either. For the second half of the year, however, stimulated by the demand for smart products, exports returned somewhat, which gradually drove investment plans of the domestic manufacturing sector. The annual economic growth rate of 2016 announced by the Directorate General of Budget, Accounting and Statistics, Executive Yuan in February 2017 was 1.50%. Looking into 2017, given the facts that external demand has gained momentum and that the government is pro-actively implementing measures to boost the economy, it is expected that the internal demand will climb gradually and hence the economic growth rate of 2017 is estimated to be 1.92%.

Besides the persistent sluggish external economy, internally, there is a US\$180 million penalty imposed on the subsidiary, Mega International Commercial Bank, by the New York Department of Financial Services in August 2016 for violating the state's anti-money laundering laws. Under the two unfavorable external and internal factors, the consolidated after-tax net profits of the Company for 2016 totaled NT\$ 22,443 million, a year-on-year decline of NT\$6,830 million or 23.33% from 2015, while EPS was NT\$1.65. The operation results of the Company in 2016 are shown below.

I. Operating Guidelines

- (1) Cultivating customer relationships and creating group synergy
- (2) Concentrating and focusing on our core business to create the greatest value for shareholders
- (3) Enhancing the Group's risk management and fortifying warning system
- (4) Strengthening the information security management and promoting digital processing capability
- (5) Reinforcing corporate governance and building up a culture of compliance
- (6) Promoting relationships with institutional investors and increasing information transparency

II. Implementation Overview

- (1) Continue to enhance the subsidiary's business

The subsidiaries of the Company had continued to enhance their business operations in 2016 based on the existing foundation. In terms of corporate finance business, Mega International Commercial Bank's syndicated loan business had a market share of 8.54% in 2016, ranked in the 3rd place in the syndicated loan market in Taiwan. The credit business had a market share of 7.16% in 2016, ranked in the 3rd place; the loan business had a market share of 6.60%, and corporate loan business had a market share of 6.93%, all ranking in 4th place. The SME loan business had a market share of 7.33%, ranking in 5th place among the domestic banks in Taiwan. In terms of consumer finance and wealth management business, the Bank had a consumer loan outstanding of NT\$393.7 billion by the end of 2016, representing an annual growth of 0.87% from the year of 2015. The total wealth management profit of the Group in 2016 was NT\$3.051 billion, declining 0.92% from the year of 2015. The CP2 issued amounts of Mega Bills had a market share of 28.50% in 2016. The bills trading in the secondary market had a market share of 33.33%; the bond trading had a market share of 30.55% and the bills guarantee business had a market share of 29.21%, all ranking in first place in the market. Mega Securities' securities brokerage market share was 2.79% in 2016, ranking in 9th place in the market. Chung Kuo Insurance's marine insurance business had a market share of 8.85% in 2016, ranking in 4th place in the market. The aviation insurance business had a market share of 15.12%, ranking in 3rd place in market.

- (2) Strengthened regulatory compliance and risk control

A. Shaping a culture of compliance

Instead of "business first" that was followed in the past, we will be "taking care of both regulatory compliance and business expansion at the same time" from now on. Substantial measures taken include organizational adjustment,

employment of full-time compliance staff, system upgrade, employee's training and modified performance rating criteria; all are meant to make regulatory compliance a reality.

B. Comprehensive upgrade of the anti-money laundering profile

The Bank has established an exclusive department responsible for anti-money laundering, hired related professionals, reinforced the anti-money laundering system, promoted its capabilities to monitor suspicious activities and enhanced training in an effort to strengthen its ability in anti-money laundering.

C. Continuous effective risk management

The Company has adjusted its operating strategies by keeping track of the regional market dynamics. Effective implementation of internal control and internal audit control system, and risk management are reinforced to accomplish sustainable development.

III 、Business Operations of the Subsidiaries

According to the Financial Holding Company Act, the business scope of a Financial Holding Company shall be limited to investment in, and management of, its invested enterprise(s). In 2016, the subsidiaries of the Company continued to strengthen their business operations upon the current achievement. The operation results of our subsidiary companies are summarized as follows:

(1) Mega International Commercial Bank

Units: NT\$ million, except foreign exchange in US\$ million

Item \ Year	2016	2015	Change (%)
Deposits	2,189,718	2,080,552	5.25
Bills discounted and loans	1,739,548	1,765,178	-1.45
Corporate financing	1,356,748	1,377,601	-1.51
Consumers financing (excluding credit card loans)	382,800	387,577	-1.23
Foreign exchange business	805,160	842,207	-4.40
Securities purchased	435,646	380,305	14.55
Long-term equity investments	22,208	23,472	-5.39
Credit card loans	1,155	1,230	-6.10

Note: 1. All figures above are average monthly balance.

2. The non-performing loans outstanding at the end of 2016 amounted to NT\$1,631

million, representing a non-performing loan ratio of 0.09%, while its bad debt coverage ratio was 1,614.16%.

(2) Mega Securities Co., Ltd. (MSC)

Item		2016	2015	Change(%)
Securities brokerage	Market share	2.79% (rank 9)	2.87% (rank 9)	-2.79
Equity underwriting	Number of initial public offering lead managed by MSC	4 (rank 6)	5 (rank 4)	-20.00
	Number of subsequent public offering lead managed by MSC	5 (rank 7)	7 (rank 5)	-28.57
Bond underwriting	Number of issues lead managed by MSC	2 (rank 4)	3 (rank 4)	-33.33
	Amount of issues lead managed by MSC (NT\$ billion)	2.9 (rank 6)	5.0 (rank 5)	-42.00
New financial products	Number of warrants issued	1,688 (rank 6)	2,154 (rank 6)	-21.63
	Amount of warrants issued (NT\$ billion)	11.9 (rank 8)	20.9 (rank 6)	-43.06

Note: The above ranking is among the top 20 local securities firms in terms of brokerage market share.

(3) Mega Bills Finance Co., Ltd.

Units: NT\$ million

Item	2016	2015	Change (%)
Underwriting and purchasing of bills	2,457,301	2,334,321	5.27
CP2 issued amounts	2,165,844	2,050,131	5.64
Trading volume of bills	8,427,016	8,177,922	3.05
Trading volume of bonds	5,646,907	5,592,022	0.98
Guaranteed issues of CP2 outstanding balance	152,160	148,882	2.20
Overdue credit amounts	0	0	-
Percentage of overdue credits (%)	0	0	-

Note: CP2 stands for commercial paper issued for funding purpose without underlying transaction.

(4) Chung Kuo Insurance Co., Ltd.

Unit: NT\$ million

Item	2016	2015	Change (%)
Direct written premiums	6,415	6,205	3.38
Inward reinsurance premiums	590	689	-14.37
Total	7,004	6,894	1.60

(5) Mega International Investment Trust Co., Ltd.

Unit: NT\$ million

Item	2016	2015	Change (%)
Public funds under management	96,858	97,566	-0.73
Private funds under management	19,573	73	26,712.33
Discretionary account	1,041	766	35.90
Total	117,472	98,405	19.38

Note: The company launched a private fund, Mega Prosperity Private Placement Fund, in 2016, the size of which amounted to NT\$19,498 million by the end of 2016.

(6) Mega Asset Management Co., Ltd

Unit: NT\$ million

Item	2016	2015	Change (%)
Gain from disposal of NPL and the underlying collateral	177	571	-69.00
Rental revenues	0	37	-100.00
Interest income	120	154	-22.08
Service income	419	258	62.40
Total	715	986	-27.48

(7) Mega Venture Capital Co., Ltd.

Unit: NT\$ million

Item	2016	2015	Change (%)
Drawdown of long term equity investment	140	337	-58.46
Original cost of long term equity investment	916	945	-3.07

(8) Mega Life Insurance Agency Company Co., Ltd.

Unit: NT\$ million

Item	2016	2015	Change (%)
Commission income	1,944	1,562	24.46

IV 、 Budget Implementation

The Company

Unit: NT\$ million, except EPS in NT\$

Item	Final accounting figure, 2016	Budget figure, 2016	Implemented (%)
Revenues	23,299	28,425	81.97
Expenses and losses	433	485	89.28
Net income before tax from continuing operations	22,866	27,939	81.84
Net income	22,456	27,202	82.55
Earnings per share	1.65	2.00	82.50

The Company's Subsidiary

Unit: NT\$ million

Name of subsidiary	Net income before tax - actual	Net income before tax - budget	Implemented (%)
Mega International Commercial Bank Co., Ltd.	23,058	28,003	82.34
Mega Securities Co., Ltd.	88	707	12.45
Mega Bills Finance Co., Ltd.	3,571	3,152	113.29
Chung Kuo Insurance Co., Ltd.	189	597	31.66
Mega Asset Management Co., Ltd.	476	301	158.14
Mega Life Insurance Agency Co., Ltd.	614	440	139.55
Mega Venture Capital Co., Ltd.	26	37	70.27
Mega International Investment Trust Co., Ltd.	114	127	89.76

- The budget achievement rate of Mega International Commercial Bank reached 82.34% and profits lagged behind the budget mainly due to a fine imposed by the New York State Department of Financial Services, increased loan loss provisions for strengthening of asset quality.
- The budget achievement rate of Mega Securities Company reached 12.45% mainly due to loss in proprietary trading and valuation loss on securities acquired through its business of underwriting. In addition, profits from securities brokerage also declined as the market trading volume, market shares and the outstanding of margin loan fell short of the budget.
- The budget achievement rate of Chung Kuo Insurance Company reached 31.66% mainly due to the decline in underwriting profits impacted by natural disasters and commercial insurance claim. In addition, financial income fell short of expectations because of foreign exchange losses and decreased interest income resulting from domestic interest rates cut.
- Mega Venture Capital Company's budget achievement rate is 70.27%, mainly due to the impairment loss recognized on equity investments.
- Mega International Investment Trust Company's budget achievement rate is 89.76%, mainly due to foreign exchange evaluation loss.

V 、 Financial Results

The Company's consolidated net profit before tax in 2016 was NT\$27,917million, a drop of NT\$7,192 million or 20.48% compared to 2015. The decline in consolidated net profit before tax is mainly due to the reduction in revenues other than interest of NT\$5,169 million, which offset the increase in net interest income of NT\$4 million, while the operating expenses decreased by NT\$2,116 million as well as provisions for bad debts expense and guarantee liabilities increased by NT\$4,144 million. The decline in revenues other than interest is mainly due to the penalty imposed by New York State Department of Financial Services, the decrease in service fee revenue and commissions, indemnity income, and gain from disposal of investment property, which offset the increase in gains from financial operations. The consolidated net profit after tax of the Company and its subsidiaries reached NT\$22,443 million, a decline of NT\$6,830 million or 23.33% from 2015. Its consolidated return on assets was 0.67% while the consolidated return on equity reached 7.67%. A breakdown of the financial results of the Company and its subsidiaries in 2016 are shown in the table below:

Unit: NT\$ million, except EPS in NT\$

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share	Return on Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries	27,917	22,443	1.65	0.67	7.67
Mega FHC (Unconsolidated)	22,866	22,456	1.65	6.94	7.67
Mega International Commercial Bank Co., Ltd.	23,058	19,010	2.23	0.63	7.44
Mega Securities Co., Ltd.	88	34	0.03	0.07	0.23
Mega Bills Finance Co., Ltd.	3,571	2,980	2.27	1.22	8.74
Chung Kuo Insurance Co., Ltd.	189	101	0.34	0.64	1.68
Mega Asset Management Co., Ltd.	476	395	1.97	2.75	13.76
Mega Life Insurance Agency Co., Ltd.	614	509	254.75	71.13	102.77
Mega Venture Capital Co., Ltd.	26	23	0.23	3.29	3.31
Mega International Investment Trust Co., Ltd.	114	80	1.52	8.95	9.77

Note: Return on assets = Net income after tax / Average assets; Return on equity = Net income after tax / Average equity

VI. Research and Development

The Company and its subsidiaries' research and development progress in 2016 are summarized as follows:

1. The Company promoted CSR in the Group to comply with the international best practice. It also established VaR (Value at risk) management system for financial products. A self-evaluation mechanism for the Group's operational risk is also established.
2. Mega International Commercial Bank published the Mega Bank Monthly, which includes monographs and articles covering the latest international and domestic economic and financial developments and is made public periodically on the bank's website. It also submitted periodical and non-periodical research reports on the development of the global economic and financial situations.
3. Mega Securities Company continued to reinforce its front office and back office system configuration, optimize the comprehensive e-commerce platform and its customer service features. It has also deployed the Channel Sales service model

- for wealth management business. In response to the competent authority's Finance 3.0 policy, it has pro-actively developed e-commerce with respective features of its information system reinforced/enhanced or newly established.
4. Mega Bills Finance Company studied the feasibility of undertaking RP transaction of US dollar bonds with life insurance companies. The Basel III system framework and introduction practice, strengthening of AML/CFT, and risk monitoring were also studied. It applied to the competent authority for relaxing the transaction scope of derivative financial instruments that bills finance companies are allowed to undertake.
 5. Chung Kuo Insurance Company developed a total of 207 new insurance products in 2016, including 101 products filed with the competent authority on a "Use and File" basis, and 106 products filed with the competent authority on a "Simple Use and File" basis.
 6. Mega International Investment Trust Company introduced multiple currencies products to develop the foreign currency investor base. It issued a foreign market funds namely Mega USD Money Market Fund.

Attachment 2

Audit Committee's Report

The Board of Directors of the Company has compiled and delivered the business report, the consolidated financial statements, and the proposal for distribution of earnings for 2016. Wherein, the consolidated financial statements were audited by CPA Chou, Chien-Hung and Huang, King-Tse of PricewaterhouseCoopers. The Audit Committee have examined the above statements and found nothing non-compliance and thus prepared this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your ratification.

To:

2017 General Shareholders' Meeting

Mega Financial Holding Co., Ltd.

Chairman of the Audit Committee: Tsun-Siou Lee

Date: May 2, 2017

Attachment 3

**MEGA FINANCIAL HOLDING CO., LTD.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**Report of Independent Accountants**

To the Board of Directors and Stockholders

Mega Financial Holding Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mega Financial Holding Co., Ltd. and its subsidiaries (collectively the “Mega Group”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Mega Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Public Held Bills Finance Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Mega Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Mega Group's key audit matters for the year ended December 31, 2016 are addressed as follows:

Impairment assessment of bills discounted and loans

Description

For the accounting policy for the impairment assessment of bills discounted and loans, please refer to Note 4(9) of the consolidated financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of impairment assessment of bills discounted and loans, please refer to Note 5(2) of the consolidated financial statements; for the details of bills discounted and loans, please refer to Note 6(5) of the consolidated financial statements. Gross bills discounted and loans and allowance for bad debts as at December 31, 2016, was \$1,741,972,998 thousand and \$26,694,232 thousand, respectively.

The credit services provided by the subsidiary, Mega International Commercial Bank Co., Ltd (MICB), which are their main business activity, are primarily corporate credit facilitations. Impairment losses on bills discounted and loans are losses as a result of existing objective evidence of impairment that estimated future cash flows of loans may not be recovered. MICBs' impairment assessment on bills discounted and loans is conducted in accordance with related regulations of IAS 39, 'Financial Instruments: Recognition and Measurement' and meet the related requirements of the competent authority. If there is existing objective evidence of impairment loss for significant credit facilitations which exceed a certain amount, then such facilitations are individually assessed. Impairment loss is primarily provisioned according to the future cash flows and collateral value of the borrower; if there is no existing objective evidence of impairment or if there is existing objective evidence of impairment but the credit facilitation does not exceed a certain amount, then assessment is conducted on a collective basis and impairment losses are estimated according to impairment parameters such as the impairment probability, recovery rate, and effective interest rate under each industry group.

The aforementioned provision of impairment loss for bills discounted and loans includes the determination of future cash flows of individual assessment and impairment parameters for collective assessment. Because this involves subjective judgment and numerous assumptions and estimates, the method of determining assumptions and estimates will directly affect the related recognized amounts. Also, considering that loans account for approximately 52% of total assets, we have thus included the individual and collective impairment assessment of MICBs' bills discounted and loans as one of the key audit matters in our audit.



How our audit addressed the matter

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

1. Understood and assessed the related policies, internal control system, and operation procedures of assumptions and estimates (including the impairment probability, recovery rate, future cash flows, and collateral value) used by MICB in provisioning impairment losses for bills discounted and loans.
2. Sampled and tested internal controls related to the provision of impairment loss, including the identification of objective evidence for impairment loss, annual reviews, management of collateral and their value assessment, value assessment of collateral, controls for changing impairment parameters, and approval for provisioning of impairment loss.
3. Collective assessment
 - (1) Evaluated the model parameter assumptions of MICBs' collective assessments; understood the calculation logic of different group parameters (e.g. the impairment probability, recovery rate, and effective interest rate), as well as the status of periodic updates.
 - (2) Sampled and tested the accuracy of impairment loss balances.
 - (3) Filtered loan portfolio amounts of corporate facilitations under loans accounts using the system logic which incorporated the Group's policy to sample and test the accuracy of their respective impairment probability, recovery rate, and effective interest rates, as well as to examine their consistency with the financial statements.
4. Individual assessment (for credit facilitations with existing objective evidence of impairment loss that exceeded a certain amount)
 - (1) Assessed the completeness of the watch list for credit facilitations for which objective evidence is existed.
 - (2) Sampled and compared the consistency of the system's judgment with samples which had been judged to have objective evidence of impairment.
 - (3) Assessed the reasonableness of parameter assumptions (including the borrower's time of past due, financial and operational status, and historical experience) for estimated future cash flows and the accuracy of calculation results for estimated future cash flows.

Impairment assessment of equity investments carried at cost

Description

For the accounting policy for the impairment assessment of equity investment carried at cost (accounted under other financial assets), please refer to Note 4(9) of the consolidated financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of equity investments carried at cost, please refer to Note 5(3) of the consolidated financial statements; for details of other financial assets-equity investments carried at cost, please refer to Note 6(10) of the consolidated financial statements. Other financial assets-equity investments carried at cost and its

accumulated impairment as at December 31, 2016, was \$12,861,411 thousand and \$1,449,648 thousand, respectively.

For the provision of impairment for other financial assets-equity investments carried at cost accounted for by the Mega Group, in accordance with the Mega Group's accounting policy, upon the end of each reporting period, the Mega Group shall estimate impairment losses when it is assessed that there is objective evidence of impairment. When individual equity investments have existing objective evidence of impairment loss, provision of impairment loss is determined by the recoverable amount of cash flows based on the financial and operating status.

Because the aforementioned determination on whether there is existing objective evidence of impairment for equity investments carried at cost and the provision of impairment (including the determination of recoverable cash flows) involve subjective judgment and numerous assumptions and estimates, the method of determining assumptions and estimates will directly affect recognized amounts. Thus, we have included the impairment assessment of Mega Group's equity investments carried at cost as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Understood and assessed the Mega Group's related policies, stop-loss and exception management controls, and handling procedures for determining impairment evidence and the provision of impairment for equity investments measured at cost.
2. Sampled and tested the evaluations provided by management to determine whether there are documents that support the existence of impairment evidence.
3. Sampled and tested the appropriateness of management's estimate future cash flows (e.g. documents related expected recoverable cash flows of investees) and recalculated the accuracy of provisioned impairment amounts.

Claims reserve and ceded claims reserve

Description

For the accounting policy for claims reserve (including those prior to and after reinsurance), please refer to Note 4(16)4. of the financial statements; for critical accounting estimates and key sources of assumption uncertainty of claims reserve (included ceded reserves), please refer to Note 5(5) of the financial statements; for detail of claims reserve (and ceded reserves), please refer to Note 6(23) and (6) of the financial statements. On December 31, 2016, the Group's claims reserve and ceded claims reserve was \$4,419,457 thousand and \$2,400,073 thousand, respectively.

The subsidiary, Chung Kuo Insurance Co., Ltd (CKI),’s claims reserve (including ceded reserves) uses the loss development triangle to estimate the reasonable amount of ultimate claims according to the Actuarial Department’s historical claim experience and expenses by insurance type. Because the calculation method and assumptions for claims reserve involve the professional judgment of management, and because claims reserve is material, we have thus included the estimation of claims reserve and ceded claims reserve as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Checked the accuracy and completeness of historical values used in the loss development triangle for calculating claims reserve.
2. Elected the work of actuarial specialists to assists us in assessing the reasonableness of the calculation method and assumptions used in calculating claims reserve (including those prior to and after reinsurance). This included the following procedures:
 - (1) Checked whether the elected actuarial method agreed with generally accepted actuarial methods;
 - (2) Sampled and tested the reasonableness of assumptions used in calculating claims reserve;
 - (3) Sampled and tested actual calculation processes in order to confirm the accuracy of claims reserve calculations;
 - (4) Conducted variance analysis and ratio analysis according to insurance type in order to assess the reasonableness of calculation results for claims reserve.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulations Governing the Preparation of Financial Reports by Public Held Bills Finance Companies”, “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Mega Group'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 the Mega Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing Mega Financial Holding Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mega Group'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 the Mega Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Mega Group to cease to continue as a going concern.



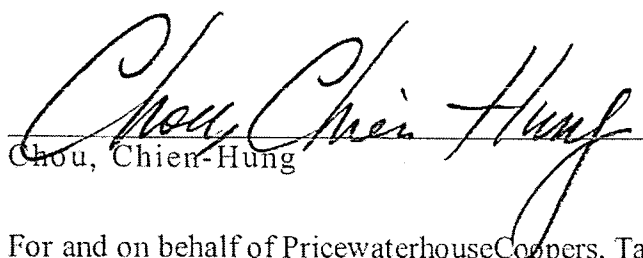
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5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Mega Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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


Chou, Chien-Hung


Huang, King-Tse

For and on behalf of PricewaterhouseCoopers, Taiwan

March 28, 2017

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

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 FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2016		December 31, 2015		January 1, 2015	
		Amount	%	Amount	%	Amount	%
Assets							
Cash and cash equivalents	6(1)	\$ 98,131,357	3	\$ 152,871,868	5	\$ 171,560,274	5
Due from the Central Bank and call loans to banks	6(2) and 11	540,011,742	16	503,267,079	15	466,483,866	14
Financial assets at fair value through profit or loss, net	6(3) and 12	186,317,373	6	182,036,664	5	181,366,843	6
Available-for-sale financial assets, net	6(7) and 12	354,464,708	11	346,461,364	10	280,703,020	9
Bills and bonds purchased under resale agreements		2,855,885	-	7,079,210	-	11,874,327	-
Receivables, net	6(4)(5)	86,825,802	3	175,747,221	5	201,540,361	6
Current income tax assets		577,485	-	2,307,563	-	1,534,999	-
Non-current assets held for sale, net		-	-	-	-	2,739	-
Bills discounted and loans, net	6(5) and 11	1,715,278,766	52	1,773,269,054	52	1,733,994,271	53
Reinsurance contract assets, net	6(6)(23)	4,261,668	-	3,308,814	-	3,217,685	-
Held-to-maturity financial assets, net	6(8) and 12	280,997,362	8	201,233,939	6	163,708,076	5
Equity investments accounted for under the equity method, net	6(9)	3,108,470	-	2,976,409	-	2,761,637	-
Other financial assets, net	6(5)(10) and 12	14,955,209	-	17,189,576	1	20,626,729	1
Investment property, net	6(11) and 12	1,711,561	-	1,368,553	-	1,976,764	-
Property and equipment, net	6(12) and 12	21,787,452	1	21,834,486	1	22,125,875	1
Intangible assets, net		270,438	-	299,644	-	307,693	-
Deferred income tax assets	6(40)	5,463,227	-	4,716,552	-	4,030,528	-
Other assets, net	6(13), 11 and 12	2,772,911	-	2,550,310	-	2,822,250	-
Total assets		\$ 3,319,791,416	100	\$ 3,398,518,306	100	\$ 3,270,637,937	100

(Continued)

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and equity	Notes	December 31, 2016		December 31, 2015		January 1, 2015	
		Amount	%	Amount	%	Amount	%
Liabilities							
Due to the Central Bank and financial institutions	6(14) and 11	\$ 401,731,599	12	\$ 428,405,839	13	\$ 474,623,325	15
Funds borrowed from the Central Bank and other banks	6(15)	39,974,427	1	45,459,094	1	53,906,541	2
Financial liabilities at fair value through profit or loss	6(16) and 11	12,105,231	1	22,980,692	1	29,582,637	1
Bills and bonds sold under repurchase agreements	6(17) and 11	231,191,763	7	192,936,650	6	221,809,530	7
Commercial paper payable, net	6(18) and 11	11,701,649	-	19,945,870	-	15,363,080	-
Payables	6(19)	59,001,999	2	63,623,826	2	60,564,578	2
Current income tax liabilities		8,589,599	-	10,517,577	-	9,123,049	-
Deposits and remittances	6(20) and 11	2,171,287,924	66	2,230,143,429	66	2,036,403,864	62
Bonds payable	6(21)	41,924,088	1	41,878,505	1	56,200,000	2
Other loans	6(22)	5,954,030	-	2,280,000	-	5,926,763	-
Provisions for liabilities	6(23)	25,047,224	1	22,917,606	1	21,647,077	1
Other financial liabilities	6(24)	10,849,706	-	10,720,861	-	10,778,269	-
Deferred income tax liabilities	6(40)	2,201,659	-	2,195,423	-	2,169,411	-
Other liabilities	6(25)	6,203,075	-	11,057,626	-	11,640,531	-
Total liabilities		<u>3,027,763,973</u>	<u>91</u>	<u>3,105,062,998</u>	<u>91</u>	<u>3,009,738,655</u>	<u>92</u>
Equity							
Equity attributable to owners of parent							
Share capital							
Common stock	6(26)	135,998,240	4	135,998,240	4	124,498,240	4
Capital surplus	6(26)	68,194,233	2	68,194,233	2	55,270,198	2
Retained earnings							
Legal reserve	6(26)	30,436,714	1	27,494,993	1	24,469,127	1
Special reserve	6(26)	2,545,158	-	2,545,158	-	2,547,719	-
Unappropriated retained earnings	6(27)	56,976,974	2	58,332,856	2	50,589,808	1
Other equity interest	6(28)						
Other equity interest		(2,165,966)	-	838,599	-	3,362,257	-
Non-controlling interests		<u>42,090</u>	<u>-</u>	<u>51,229</u>	<u>-</u>	<u>161,933</u>	<u>-</u>
Total equity		<u>292,027,443</u>	<u>9</u>	<u>293,455,308</u>	<u>9</u>	<u>260,899,282</u>	<u>8</u>
Total liabilities and equity		<u>\$ 3,319,791,416</u>	<u>100</u>	<u>\$ 3,398,518,306</u>	<u>100</u>	<u>\$ 3,270,637,937</u>	<u>100</u>

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	Notes	For the year ended December 31, 2016		For the year ended December 31, 2015		Change percentage (%)
		Amount	%	Amount	%	
Interest income	6(29) and 11	\$ 54,113,662	98	\$ 56,852,736	95	(5)
Less: interest expense	6(29) and 11	(16,420,610)	(30)	(19,164,143)	(32)	(14)
Interest income, net		<u>37,693,052</u>	<u>68</u>	<u>37,688,593</u>	<u>63</u>	-
Revenues other than interest, net						
Service fee revenue and commissions, net	6(30)	10,237,640	19	10,974,878	18	(7)
Insurance revenue, net		1,682,081	3	1,871,145	3	(10)
Financial assets and liabilities at fair value through profit or loss	6(31) and 11	4,596,354	8	1,072,505	2	329
Gain on investment property		18,578	-	518,772	1	(96)
Realized gain on available-for-sale financial assets, net	6(32) and 11	1,988,048	4	1,534,229	2	30
Realized loss on held-to-maturity financial assets, net		(189)	-	-	-	-
Foreign exchange gain		2,089,104	4	2,973,694	5	(30)
Share of profit of associates and joint ventures accounted for under equity method	6(9)	229,098	-	244,963	-	(6)
Other revenue other than interest income	6(34)	2,058,557	4	1,729,708	3	19
Revenue on disposal of non-performing loans	6(35)	-	-	1,717,260	3	(100)
Indemnity income	6(36)	(5,147,557)	(9)	392,623	1	(1411)
Loss on asset impairment	6(33)	(380,646)	(1)	(490,064)	(1)	(22)
Net revenue		<u>55,064,120</u>	<u>100</u>	<u>60,228,306</u>	<u>100</u>	<u>(9)</u>
Bad debts expense and guarantee liability (provisions) reserve	6(4)(5)(6) (10)(23)	(3,613,467)	(7)	426,459	1	(947)
Net change in provisions for insurance liabilities	6(23)	(116,264)	-	(12,356)	-	841
Operating expenses						
Employee benefit expenses	6(37)	(14,953,836)	(27)	(16,626,475)	(28)	(10)
Depreciation and amortization	6(38)	(711,525)	(1)	(691,496)	(1)	3
Other business and administrative expenses	6(39)	(7,751,815)	(14)	(8,215,456)	(14)	(6)
Income before income tax		<u>27,917,213</u>	<u>51</u>	<u>35,108,982</u>	<u>58</u>	<u>(20)</u>
Income tax expense	6(40)	(5,474,318)	(10)	(5,835,713)	(9)	(6)
Profit for the year		<u>22,442,895</u>	<u>41</u>	<u>29,273,269</u>	<u>49</u>	<u>(23)</u>

(Continued)

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	Notes	For the year ended December 31, 2016		For the year ended December 31, 2015		Change percentage
		Amount	%	Amount	%	(%)
Other comprehensive income						
(after tax)						
Non-reclassifiable to profit or loss						
subsequently						
Remeasurement of defined benefit plan	6(23)	(\$ 566,997)	(1)	(\$ 1,471,209)	(2)	(61)
Income tax related to the components	6(40)					
of other comprehensive income that						
will not be classified subsequently		96,389	-	250,105	-	(61)
Potentially reclassifiable to profit or						
loss subsequently						
Cumulative translation differences of	6(28)					
foreign operations		(1,278,555)	(3)	(180,357)	-	609
Unrealized loss on valuation of	6(28)					
available-for-sale financial assets		(1,658,397)	(3)	(2,222,285)	(4)	(25)
Share of other comprehensive (loss)	6(28)					
income of associates and joint						
ventures accounted for under equity						
method		(63,464)	-	(20,278)	-	213
Total other comprehensive loss (after						
income tax)		(3,471,024)	(7)	(3,644,024)	(6)	(5)
Total comprehensive income						
(after tax)		<u>\$ 18,971,871</u>	<u>34</u>	<u>\$ 25,629,245</u>	<u>43</u>	(26)
Profit (loss) attributable to:						
Owners of parent		\$ 22,456,183	41	\$ 29,417,211	49	(24)
Non-controlling interests		(13,288)	-	(143,942)	-	(91)
		<u>\$ 22,442,895</u>	<u>41</u>	<u>\$ 29,273,269</u>	<u>49</u>	(23)
Comprehensive income (loss)						
attributable to:						
Owners of parent		\$ 18,981,010	34	\$ 25,672,449	43	(26)
Non-controlling interests		(9,139)	-	(43,204)	-	(79)
		<u>\$ 18,971,871</u>	<u>34</u>	<u>\$ 25,629,245</u>	<u>43</u>	(26)
Earnings per share	6(41)					
Basic and diluted earnings per share (in						
dollars)		<u>\$ 1.65</u>		<u>\$ 2.35</u>		

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent								Non-controlling interests	Total
	Retained earnings				Other equity interest					
	Share capital – common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total		
For the year ended December 31, 2015										
Balance at January 1, 2015	\$ 124,498,240	\$ 55,270,198	\$ 24,469,127	\$ 2,547,719	\$ 50,589,808	\$ 605,482	\$ 2,756,775	\$ 260,737,349	\$ 161,933	\$ 260,899,282
Earnings distribution for 2014										
Legal reserve	-	-	3,025,866	-	(3,025,866)	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,561)	2,561	-	-	-	-	-
Cash dividends	-	-	-	-	(17,429,754)	-	-	(17,429,754)	-	(17,429,754)
Changes in capital surplus of associates and joint ventures accounted for under equity method										
Profit (loss) for the year	-	(631)	-	-	-	-	-	(631)	-	(631)
Other comprehensive (loss) income for the year	-	-	-	-	29,417,211	-	-	29,417,211	(143,942)	29,273,269
Issuance of common stock	11,500,000	12,661,500	-	-	(1,221,104)	(177,718)	(2,345,940)	(3,744,762)	100,738	(3,644,024)
Share based payment transaction	-	263,166	-	-	-	-	-	24,161,500	-	24,161,500
Change in non-controlling interests by capital reduction of subsidiary	-	-	-	-	-	-	-	263,166	-	263,166
Balance at December 31, 2015	\$ 135,998,240	\$ 68,194,233	\$ 27,494,993	\$ 2,545,158	\$ 58,332,856	\$ 427,764	\$ 410,835	\$ 293,404,079	\$ 51,229	\$ 293,455,308
For the year ended December 31, 2016										
Balance at January 1, 2016	\$ 135,998,240	\$ 68,194,233	\$ 27,494,993	\$ 2,545,158	\$ 58,332,856	\$ 427,764	\$ 410,835	\$ 293,404,079	\$ 51,229	\$ 293,455,308
Earnings distribution for 2015										
Legal reserve	-	-	2,941,721	-	(2,941,721)	-	-	-	-	-
Cash dividends	-	-	-	-	(20,399,736)	-	-	(20,399,736)	-	(20,399,736)
Profit (loss) for the year	-	-	-	-	22,456,183	-	-	22,456,183	(13,288)	22,442,895
Other comprehensive (loss) income for the year	-	-	-	-	(470,608)	(1,281,146)	(1,723,419)	(3,475,173)	4,149	(3,471,024)
Balance at December 31, 2016	\$ 135,998,240	\$ 68,194,233	\$ 30,436,714	\$ 2,545,158	\$ 56,976,974	\$ 853,382	\$ 1,312,584	\$ 291,985,353	\$ 42,090	\$ 292,027,443

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

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash flows from operating activities		
Profit before tax	\$ 27,917,213	\$ 35,108,982
Income and expenses having no effect on cash flows		
Depreciation	649,559	641,638
Amortization	61,966	49,858
Bad debts expense and guarantee liability reserve (provisions)	3,613,467	(426,459)
Interest expense	17,075,355	19,876,136
Interest income	(56,336,478)	(58,908,288)
Dividend income	(1,480,289)	(1,511,628)
Net change in provisions for insurance liabilities	116,264	12,356
Share based payment transactions	-	263,166
Loss on asset impairment	380,646	490,065
(Gain) loss on disposal of property and equipment	1,323	(4,057)
Gain on disposal of investment property	1,075	(497,851)
Share of profit of associates accounted for under equity method	(229,098)	(244,963)
Changes in assets/liabilities relating to operating activities		
Changes in assets relating to operating activities		
Decrease in due from Central Bank and call loans to other banks	6,827,796	17,511,630
Increase in financial assets at fair value through profit or loss	(4,280,709)	(669,821)
Increase in available-for-sale financial assets	(9,765,082)	(68,333,923)
Decrease in receivables	89,851,276	56,879,340
Decrease in non-current assets held-to-sale	-	2,739
Decrease (increase) in bills discounted and loans	54,310,193	(39,272,959)
Increase in reinsurance contract assets	(952,854)	(91,129)
Increase in held-to-maturity financial assets	(79,763,423)	(37,525,863)
Decrease in other financial assets	1,383,351	3,233,079
Increase in other assets	(168,328)	(153,642)
Changes in liabilities relating to operating activities		
Decrease in due to the Central Bank and financial institutions	(26,674,240)	(46,217,486)
Decrease in financial liabilities at fair value through profit or loss	(10,875,461)	(6,601,945)
Increase (decrease) in bills and bonds purchased under resale agreements	38,255,113	(28,872,880)
Decrease in payables	(7,909,521)	(68,243)
(Decrease) increase in deposits and remittances	(58,855,505)	193,739,565
Increase (decrease) in other financial liabilities	128,845	(57,408)
Increase (decrease) in liabilities reserve	1,062,654	(157,424)
(Decrease) increase in other liabilities	(3,312,125)	1,308,510
Cash provided by operations	(18,967,017)	39,501,095
Interest received	54,950,261	26,581,318
Cash dividend received	1,639,225	1,684,209
Interest paid	(17,211,322)	(20,063,520)
Income tax paid	(4,527,024)	(3,997,323)
Net cash provided by operating activities	15,884,123	43,705,779

(Continued)

MEGA FINANCIAL HOLDING CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the year ended December 31, 2016	For the year ended December 31, 2015
<u>Cash flows from investing activities</u>		
Acquisition of investments under the equity method	\$ -	(\$ 255,000)
Proceeds from disposal of investments under the equity method	2,747	21,924
Proceeds from capital reduction of equity investments accounted for under the equity method	-	69,752
Proceeds from capital reduction of investments measured at cost	69,384	-
Acquisition of property and equipment	(542,060)	(499,191)
Proceeds from disposal of property and equipment	5,422	4,993
Acquisition of intangible assets	(13,893)	(63,376)
Acquisition of investment property	(91,825)	-
Proceeds from disposal of investment property	12,175	1,296,063
Net cash provided by (used in) investing activities	(558,050)	575,165
<u>Cash flows from financing activities</u>		
Decrease in due to the Central Bank and financial institutions	(5,484,667)	(8,447,446)
(Decrease) increase in commercial papers payable	(8,245,579)	4,580,579
Proceeds from issuance of bonds	-	5,800,000
Redemption in bonds	-	(6,000,000)
Redemption of financial bonds	-	(14,000,000)
Increase (decrease) in other loans	3,674,030	(3,646,763)
Decrease in guarantee deposits received	(677,718)	(1,031,994)
Payment in cash dividends	(18,718,378)	(15,860,486)
Issuance of common stock	-	24,161,500
Change in non-controlling interest by capital reduction of subsidiary	-	(67,500)
Net cash used in financing activities	(29,452,312)	(14,512,110)
Effect of exchange rate changes on cash and cash equivalents	(1,265,138)	(180,261)
Net (decrease) increase in cash and cash equivalents	(15,391,377)	29,588,573
Cash and cash equivalents at beginning of the year	444,732,697	415,144,124
Cash and cash equivalents, end of the year	<u>\$ 429,341,320</u>	<u>\$ 444,732,697</u>
Cash and cash equivalents composition :		
Cash and cash equivalents shown in the balance sheet	\$ 98,131,357	\$ 152,871,868
Due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	328,354,078	284,781,619
Investments in bills and bonds under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	2,855,885	7,079,210
Cash and cash equivalents at end of the year	<u>\$ 429,341,320</u>	<u>\$ 444,732,697</u>

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

MEGA FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

ASSETS	2016	2015	%	LIABILITIES AND EQUITY	2016	2015	%
Assets				Liabilities			
Cash and cash equivalents	\$ 83,306	\$ 2,292,712	(96.37)	Financial liabilities at fair value through profit or loss	\$ 156,600	\$ 155,440	0.75
Current income tax assets	225,605	-	-	Commercial paper payable, net	6,398,631	6,198,832	3.22
Available-for-sale financial assets, net	5,844,300	5,586,489	4.61	Payables	16,481,538	14,835,817	11.09
Equity investments accounted for under the equity method, net	316,539,845	313,143,661	1.08	Current income tax liabilities	1,789,244	1,912,617	(6.45)
Other financial assets, net	758,293	758,293	-	Bonds payable	5,724,088	5,678,505	0.80
Investment Property	137,126	-	-	Other loans	1,600,000	300,000	433.33
Property and equipment, net	603,350	750,459	(19.60)	Provisions for liabilities	57,935	56,339	2.83
Deferred tax assets	8,092	8,092	-	Deferred tax liabilities	1,124	1,436	(21.73)
Other assets, net	5,704	5,944	(4.04)	Other liabilities	11,108	2,585	329.71
				Total liabilities	32,220,268	29,141,571	10.56
				Equity			
				Common stock	135,998,240	135,998,240	-
				Capital surplus	68,194,233	68,194,233	-
				Retained earnings			
				Legal reserve	30,436,714	27,494,993	10.70
				Special reserve	2,545,158	2,545,158	-
				Unappropriated retained earnings	56,976,974	58,332,856	(2.32)
				Other equity interest	(2,165,966)	838,599	(358.28)
				Total equity	291,985,353	293,404,079	(0.48)
TOTAL ASSETS	\$ 324,205,621	\$ 322,545,650	0.51	TOTAL LIABILITIES AND EQUITY	\$ 324,205,621	\$ 322,545,650	0.51

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	<u>2016</u>	<u>2015</u>
Revenues		
Interest income	\$ 2,173	\$ 47,325
Share of profit of associates and joint ventures accounted for under equity method	23,132,410	30,416,201
Other revenue except for interest income	<u>164,328</u>	<u>84,639</u>
Total revenue	<u>23,298,911</u>	<u>30,548,165</u>
Expenses and losses		
Interest expense	(66,094)	(230,043)
Financial assets and liability at fair value through profit or loss	(1,160)	(12,180)
Foreign exchange loss	(3)	(10)
Employee benefit expense	(265,501)	(308,317)
Depreciation and amortization	(14,619)	(14,898)
Other business and administrative expenses	<u>(85,155)</u>	<u>(118,219)</u>
Total expenses and losses	<u>(432,532)</u>	<u>(683,667)</u>
Income before income tax	22,866,379	29,864,498
Income tax expense	<u>(410,196)</u>	<u>(447,287)</u>
Profit for the year	<u>22,456,183</u>	<u>29,417,211</u>
Other comprehensive income		
Non-reclassifiable to profit or loss subsequently		
Remeasurement of defined benefit plans	(1,837)	(12,142)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(469,083)	(1,211,026)
Income tax relating to components of other comprehensive income	312	2,064
Potentially reclassifiable to profit or loss subsequently		
Unrealized gain (loss) on valuation of available-for-sale financial assets	257,812	(262,778)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	<u>(3,262,377)</u>	<u>(2,260,880)</u>
Other comprehensive income (loss) for the year, (after income tax)	<u>3,475,173</u>	<u>(3,744,762)</u>
Total comprehensive income (after income tax)	<u>\$ 18,981,010</u>	<u>\$ 25,672,449</u>
Earnings Per Share (in dollars)		
Basic and Diluted Earnings Per Share (in dollars)	<u>\$ 1.65</u>	<u>\$ 2.35</u>

For the year ended December 31, 2015

For the year ended December 31, 2016

MEGA FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the year ended December 31, 2016	For the year ended December 31, 2015
<u>Cash Flows from Operating Activities</u>		
Profit before tax	\$ 22,866,379	\$ 29,864,498
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation	12,642	12,695
Amortization	1,977	2,203
Interest expense	66,094	230,043
Interest revenue	(2,173)	(47,325)
Dividend income	(162,310)	(81,468)
Share of profit of associates accounted for under equity method	(23,132,410)	(30,416,201)
Share based payment transaction	-	1,510
Changes in assets/liabilities relating to operating activities		
Changes in assets relating to operating activities:		
Decrease in receivables	-	463
(Decrease) increase in other assets	42 (80)
Changes in liabilities relating to operating activities:		
Increase in financial liabilities at fair value through profit or loss	1,160	155,440
(Decrease) increase in payables	(35,935)	5,515
Increase decrease in provisions for liabilities	71 (1,760)
Increase in other liabilities	8,523	446
Cash used in operations	(375,940)	(274,021)
Interest received	2,173	47,325
Cash dividend received	16,167,077	14,319,116
Interest paid	(20,414)	(355,008)
Income tax (paid) refunded	(759,486)	707,936
Net cash provided by operating activities	<u>15,013,410</u>	<u>14,445,348</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of equity investments accounted for under the equity method	-	(24,084,500)
Acquisition of property and equipment	(2,659)	(5,934)
Acquisition of intangible assets	(1,779)	(2,240)
Net cash used in investing activities	<u>(4,438)</u>	<u>(24,092,674)</u>
<u>Cash Flows from Financing Activities</u>		
Increase in commercial papers payable	200,000	3,650,000
(Increase) decrease in other loans	1,300,000 (100,000)
Proceeds from issuance of bonds	-	5,800,000
Redemption of bonds payable	-	(6,000,000)
Payment in cash dividends	(18,718,378)	(15,860,486)
Proceeds from issuance of common stock	-	24,161,500
Execution of employee stock option	-	261,656
Net cash provided by (used in) financing activities	<u>(17,218,378)</u>	<u>11,912,670</u>
Net (decrease) increase in cash and cash equivalents	(2,209,406)	2,265,344
Cash and cash equivalents at beginning of year	2,292,712	27,368
Cash and cash equivalents at end of year	<u>\$ 83,306</u>	<u>\$ 2,292,712</u>

Attachment 4**Mega Financial Holding Co., Ltd.
2016 Profit Distribution Proposal**

Unit : NT\$

Items	Amount
Beginning undistributed retained earnings in 2016	34,991,399,220
Retained earnings due to re-measurements of defined benefit plans	(470,607,412)
Adjusted retained earnings	34,520,791,808
Add: Net income of 2016	22,456,183,337
Less: 10% legal reserve	(2,245,618,334)
Less: Special reserve	(459,159,787)
Total distributable earnings	54,272,197,024
Less: Distribution item	
Cash dividend to shareholders (NT\$1.42 per share)	(19,311,750,056)
Unappropriated retained earnings	34,960,446,968
Note: The 2016 earnings shall be distributed as a priority.	

Attachment 5

Mega Financial Holding Company Comparisons of the Amended Provisions of the Procedures for Acquisition and Disposal of Assets

Amended provisions	Original provisions	Explanation
<u>Chapter 1 General Principles</u>	(Newly increased)	Chapter name is added according to “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (hereinafter “the Regulations”).
Article 1 (Omitted)	Article 1 (Omitted)	
Article 2 This Company shall handle the acquisition or disposal of assets in compliance with these Procedures; provided, where another law or regulation provides otherwise, such provisions shall govern.	Article 2 The Company shall handle the acquisition or disposal of assets in compliance with these Procedures. <u>The public announcement required must be made in the prescribed format together with prescribed contents of the appraisal report,</u> provided, where another law or regulation provides otherwise, such provisions shall govern.	The amendment is made according to the Article 2 of the Regulations.
Article 3 The term "assets" as used in these Procedures includes the following: 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.	Article 3 The term "assets" as used in these Procedures includes the following: 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. <u>(According to Financial Holding Company Act, the Company’s short-term funds are not allowed to invest in stocks, though).</u>	1. Wording in subparagraph 1 regarding restriction of short-term funds utilization is deleted. 2. The “Derivatives” is added in the scope of “assets” as defined in this article according to the Regulations.

<p>2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.</p> <p>3. Memberships.</p> <p>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p><u>6. Derivatives.</u></p> <p><u>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</u></p> <p><u>8. Other major assets.</u></p>	<p>2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.</p> <p>3. Memberships.</p> <p>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</p> <p>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</p> <p>7. Other major assets.</p>	
<p>Article 4</p> <p>Terms used in these Procedures are defined as follows:</p> <p><u>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</u></p>	<p>Article 4</p> <p>Terms used in these Procedures are defined as follows:</p>	<p>According to the Regulations, the definition of "Derivatives" is added in this article.</p>

<p><u>2.</u> Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.</p> <p><u>3.</u> Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p><u>4.</u> Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p><u>5.</u> Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is</p>	<p>1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.</p> <p>2. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>4. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is</p>	
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<p>required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	<p>required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>5. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	
<p>Article 6</p> <p>In acquisition or disposal of assets, the Company shall handle the assessment and transaction in compliance with the following provisions:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property and equipment shall be handled in compliance with the Company's "Guidelines for Procurement, Leasing and Disposal of Assets". 2. Acquisition or disposal of financial bonds and government bonds shall be handled in compliance with "Procedures for Short-Term Funds Application". 3. Acquisition or disposal of long-term equity investments shall be handled in compliance with "Financial Holding Company Act" and other applicable laws or regulations. 	<p>Article 6</p> <p>In acquisition or disposal of assets, the Company shall handle the assessment and transaction in compliance with the following provisions:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real property and equipment shall be handled in compliance with the Company's "Guidelines for Procurement, Leasing and Disposal of Assets". 2. Acquisition or disposal of financial bonds and government bonds shall be handled in compliance with "Procedures for Short-Term Funds Application". 3. Acquisition or disposal of long-term equity investments shall be handled in compliance with "Financial Holding Company Act" and other applicable laws or regulations. 	<ol style="list-style-type: none"> 1. According to Article 39 of the "Financial Holding Company Act", real property investment by financial holding companies is limited to those for business use. There is no regulation, specified by FSC, specifying limit of securities investment by financial holding companies, thus paragraph 2 is deleted. 2. The paragraph 3 is deleted as it has been provided in the paragraph 2 of Article 30.

<p>4. <u>Derivatives transaction shall be handled in compliance with the Company's "Procedures for Derivatives Trading".</u></p> <p>5. Acquisition or disposal of other asset shall be handled in compliance with the Company's "Articles of Incorporation", authority policy and other applicable regulations.</p>	<p>4. Acquisition or disposal of other asset shall be handled in compliance with the Company's "Articles of Incorporation", authority policy and other applicable regulations.</p> <p><u>The total limit for acquirement of real property not for business use, limit for securities investment and each individual security shall be in compliance with "Financial Holding Company Act" and applicable laws and regulations.</u></p> <p><u>Acquisition or disposal of major assets by subsidiaries shall be submitted to the Company for approval in accordance with the "Rules for Monitoring Operations of the Subsidiaries".</u></p>	
<p><u>Chapter II Disposition Procedures</u></p> <p><u>Section I Acquisition or Disposal of Assets</u></p>	<p>(Newly increased)</p>	<p>Chapter name is added according to the Regulations.</p>
<p>Article 7</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>office</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall</p>	<p>Article 7</p> <p>In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall</p>	<p>According to the Regulations, "a government agency" is amended to "a government office".</p>

<p>further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation and render a specific opinion 	<p>further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation and render a specific opinion 	
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<p>regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
<p>Article 9</p> <p>In acquiring or disposing of memberships and intangible assets where the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government <u>office</u>, shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the</p>	<p>Article 9</p> <p>In acquiring or disposing of memberships and intangible assets where the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the</p>	<p>According to the Regulations, “a government agency” is amended to “a government office”.</p>

reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation.	reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation.	
Article 9-1~ Article 10 (Omitted)	Article 9-1~ Article 10 (Omitted)	
<u>Section II Related Party Transactions</u>	(Newly increased)	Chapter name is added according to the Regulations.
Article 11 (Omitted)	Article 11 (Omitted)	
Article 12 (Deleted)	Article 12 <u>The departments in charge of public disclosure and filing of the information are as follows:</u> 1. <u>In acquisition or disposal of securities and assets specified in the subparagraphs 3~7 of Article 3, the department in charge shall provide detail information to the Administration Department which shall make public disclosure and filing.</u> 2. <u>The Administration Department is in charge of public disclosure and filing of the acquisition and disposal of real property and equipment.</u> 3. <u>In acquisition or disposal of long-term equity investment, the Business Development Department shall provide detailed information to the Administration Department which shall make public disclosure and filing.</u>	The public disclosure and filing have been executed according to functions of each department, so this article is deleted.

<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds <u>which are explicitly issued by domestic securities investment trust enterprises</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 	<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p> <ol style="list-style-type: none"> 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 4. The date and price at which the related party originally acquired 	<p>According to the Regulations, the domestic money market funds are limited to those issued by domestic securities investment trust enterprises.</p>
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<p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 11.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 25, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and board of directors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may delegate the board chairman to decide such</p>	<p>the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 11.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 25, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the audit committee and board of directors need not be counted toward the transaction amount.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may delegate the board chairman to decide such</p>	<p>the domestic money market funds are explicitly limited to those issued by domestic securities investment trust enterprises.</p>
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<p>matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>When a matter is submitted for discussion by the audit committee pursuant to paragraph 1, it shall be approved by more than half of all audit committee members and submitted to the board of directors for resolution, Article 31, paragraph 3 and paragraph 4 shall apply mutatis mutandis to the audit committee.</p>	<p>matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>When a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>When a matter is submitted for discussion by the audit committee pursuant to paragraph 1, it shall be approved by more than half of all audit committee members and submitted to the board of directors for resolution, Article 31, paragraph 3 and paragraph 4 shall apply mutatis mutandis to the audit committee.</p>	
<p>Article 15</p> <p>When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this</p>	<p>Article 15</p> <p>When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this</p>	<p>The reasonable construction profit is amended according to Article 16 of the Regulations.</p>

<p>restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>A. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed <u>the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</u></p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>C. Completed leasing transactions</p>	<p>restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>A. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance.</p> <p>B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>C. Completed leasing transactions</p>	
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<p>by unrelated parties for other floors of the same property from within the preceding year where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p>	<p>by unrelated parties for other floors of the same property from within the preceding year where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p>	
<p>2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	<p>2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
<p>Article 16 (Omitted)</p>	<p>Article 16 (Omitted)</p>	

<p><u>Section III Mergers and Consolidations, Splits, Acquisitions, and Shares</u></p>	<p>(Newly increased)</p>	<p>Charter name is added according to the Regulations.</p>
<p>Article 17</p> <p>When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</u></p>	<p>Article 17</p> <p>When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>According to the Regulations, it is not required to obtain an expert opinion in case of mergers with, directly or indirectly, wholly-owned subsidiaries.</p>
<p>Article 18</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in</p>	<p>Article 18</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in</p>	

<p>deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where <u>the Company's</u> shareholders meeting fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the <u>Company</u> shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	<p>deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p>	Revision of wording.
Article 19~ Article 24 (Omitted)	Article 19~ Article 24 (Omitted)	
<u>Chapter III Public Disclosure of Information</u>	Newly increased	Chapter name is added.
<p>Article 25</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party,</p>	<p>Article 25</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party,</p>	<p>1. This article is amended in accordance with Article 30 of the Regulations.</p> <p>2. The domestic money market funds is limited to those issued by domestic securities investment trust enterprises.</p>

<p>or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises.</u></p>	<p>or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p>	<p>3. The threshold triggering public announcement and reporting requirement is raised from NT\$500 million per transaction to NT\$1 billion for transactions involving equipment for business use with an unrelated party.</p>
<p>2. Merger, demerger, acquisition, or transfer of shares.</p>	<p>2. Merger, demerger, acquisition, or transfer of shares.</p>	<p>4. The correction of public announcement of relevant information shall be made within two days</p>
<p>3. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.</p>	<p>3. Where an asset transaction other than any of those referred to in the preceding two subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p>	<p>counting inclusively from the date of knowing of such error or omission.</p>
<p>4. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p>	<p>A. Trading of government bonds. B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</p>	
<p>5. Where an asset transaction other than any of those referred to in the</p>		

<p>preceding four subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of government bonds.</p> <p>B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, <u>or subscription of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.</u></p> <p>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 	<p>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>D. There the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>E. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 	
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<p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p>	<p>3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p>	
<p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p>	<p>4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p>	
<p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	<p>"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.</p>	
<p>The Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing of such error or omission.</u></p>	<p>The Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p>	
<p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where</p>	<p>This Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where</p>	

another act provides otherwise.	another act provides otherwise.	
<u>Chapter IV Additional Provisions</u>	(Newly increased)	Chapter name is added according to the Regulations.
Article 27 Information required to be publicly announced and reported in accordance with the regulations of FSC on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 25, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.	Article 27 Information required to be publicly announced and reported in accordance with the regulations of FSC on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Article 25, paragraph 1, <u>subparagraph 3</u> , requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.	Wording revision.
Article 28~ Article 32 (Omitted)	Article 28~ Article 32 (Omitted)	

Appendix 1

Mega Financial Holding Company Limited

Articles of Incorporation

CHAPTER I

GENERAL PROVISIONS

ARTICLE 1

The Mega Financial Holding Company Ltd. (hereinafter referred to as the "Company") is hereby organized under the Financial Holding Company Act and the Company Act to enhance the economic scale, achieve synergy of the financial holding company and promote the development of the financial market.

ARTICLE 2

The Company shall establish its head office at Taipei, Taiwan, the Republic of China and may set up branch offices as deemed necessary for its business operations.

The establishment, dissolution and change of status of branches as referred to in the preceding Paragraph shall be executed pursuant to the resolutions to be adopted by the Board of Directors.

CHAPTER II

SCOPE OF BUSINESS

ARTICLE 3

The scope of business of the Company shall be financial holding company (business code H801011).

ARTICLE 4

The Company shall engage in the following business:

1. To invest in the following industry:
 - (1) financial holding company;
 - (2) banks;
 - (3) bills finance company;
 - (4) credit card company;
 - (5) trust company;
 - (6) insurance company;
 - (7) securities company;
 - (8) futures company;
 - (9) venture capital company;
 - (10) foreign financial company approved by the competent authority; and
 - (11) other financial related company recognized by the competent authority
2. To manage the investment of the aforesaid company invested
3. To apply to the competent authority to invest in industry not specified in the first

Paragraph of this Article but not involved in the operation of the company invested
4. To conduct other business approved by the competent authority

ARTICLE 5

The Company is a professional investment company. The total amount of investments made by the Company may exceed forty percent of the amount of its own paid-up capital without being subject to the requirement set out in Paragraph 1, Article 13 of the Company Act.

CHAPTER III CAPITAL STOCK

ARTICLE 6

The total authorized capital of the Company is two hundred twenty billion New Taiwan Dollars (NT\$220,000,000,000), divided into twenty two billion (22,000,000,000) shares at par value of ten New Taiwan Dollars (NT\$10.00) per share. The shares are issued in installments determined by the Board of Directors.

ARTICLE 7

Prior to the reunification of the country, all shares held by shareholders in mainland China are treated as reserved shares according to the law. Such reserved shares are not entitled to vote at any shareholders' meeting of the Company, and the number of such reserved shares is not counted in the total number of the issued and outstanding shares of the Company.

ARTICLE 8

All share certificates of the Company shall indicate thereon the name of the shareholder thereof, shall be affixed with the signatures or personal seals of three Directors of the Company, and shall be duly certified or authenticated by the competent authority or a certifying institution appointed by the competent authority before issuance thereof.

For the shares to be issued by the Company, the Company may be exempted from printing any share certificate for the share issued, while the Company shall appoint a centralized securities custody enterprise to make recordation of the issue of such shares.

ARTICLE 9

Each of the shareholders shall submit to the shareholders' registrar retained by the Company his/her/its seal specimen card. Shareholders applying to the shareholders' registrar retained by the Company for processing of share matters or exercise of shareholders' rights in writing should sign or affix the seal as shown in the specimen card. The shareholders' registrar referred to in the preceding Paragraph shall provide the relevant information of the shareholders upon the Company's request.

ARTICLE 10

Any juristic person or a government agency shareholder may be elected as a Director;

provided, however, that it shall appoint a natural person to act on its behalf.

ARTICLE 11

Share registrar matters shall be handled pursuant to the Guidelines Governing Share Registrar Matters of Public Companies, as promulgated by the competent authority, and other relevant laws and regulations.

CHAPTER IV MEETINGS OF SHAREHOLDERS

ARTICLE 12

The meeting of shareholders shall be convened by the Board of Directors unless the Company Act shall require otherwise.

The shareholders' meetings are of the following two kinds:

- (1) Regular meetings of the shareholders: to be convened at least once a year; and
- (2) Special meetings of the shareholders: to be convened whenever necessary.

Regular meetings of the shareholders shall be convened within six months after the close of each fiscal year.

ARTICLE 13

The entries in the shareholders' book shall be closed in a period from 60 days prior to the convening date of a regular shareholders' meeting, from 30 days prior to the convening date of a special shareholders' meeting, or from 5 days prior to the record date set by the Company for distribution of dividends, bonus or other benefits.

ARTICLE 14

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

A shareholder may only execute one power of attorney and appoint one proxy only. Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the Company, otherwise, the portion of excessive voting power shall not be counted.

When the government or a juristic person is a shareholder, its proxy shall not be limited to one person.

ARTICLE 15

Unless otherwise required by laws and regulations, each share holding by the shareholders shall have one vote.

A shareholder who has conflict of interest in the matter under discussion at a shareholders' meeting, which will likely impair the interest of the Company, shall not vote nor exercise the voting right on behalf of other shareholders.

ARTICLE 16

A written notice to convene a regular meeting of shareholders shall be sent to each shareholder no later than 30 days prior to the scheduled meeting date. In case of a special meeting of shareholders, a meeting notice shall be sent to each shareholder no later than 15 days prior to the scheduled meeting date. The agenda of a meeting of shareholders shall be stated in the meeting notice to be sent to shareholders. A public notice to shareholders holding less than 1000 shares may be placed instead of a written notice.

The aforesaid agenda of a meeting may be proposed by "extemporary motions"; provided, however, that matters which shall be stated in the meeting notice in accordance with relevant laws and regulations may not be proposed by "extemporary motions".

The first Paragraph of this Article shall not apply to the situation where the meeting of shareholders resolves to postpone or reconvene the meeting within five days.

ARTICLE 17

Unless otherwise required by law, resolutions of the shareholders' meeting shall be adopted by a majority of the issued shares held by the shareholders present at the meeting (quorum), and a majority of shareholders present at the meeting vote for such resolution.

ARTICLE 18

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within 20 days after the meeting. The distribution of the minutes of shareholders' meeting may be made by means of public announcement. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the Company.

The attendance list bearing the signatures of shareholders present at the meeting and the proxies shall be kept by the Company for at least one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the above documents shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

CHAPTER V BOARD OF DIRECTORS

ARTICLE 19

The Company shall have a Board of Directors composed of fifteen to twenty one Directors. Starting from 2013, the candidate nomination system is adopted for directors; the shareholders shall elect directors from a list of the candidates. The term of office of a director is three years, and may be eligible for re-election.

Among the directors prescribed in the preceding Paragraph, at least three independent directors and a number of independent directors no less than 1/5 of the board seats shall

be included.

The independent directors' professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, and other compliance requirements shall be handled in accordance with the relevant laws and regulations.

The remuneration of the independent directors of the Company shall be determined by the Board, considering degrees of participation and value of contribution of said directors in business operation of the Company, as well as based on levels of remuneration generally adopted by the same industry. The total number of the shares held by all the Directors shall not be less than that required by the competent authority in charge of securities affairs.

The Company may purchase liability insurance for Directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy.

ARTICLE 19-1

The Fifth Term of the Board of Directors of the Company starts to set up the audit committee, composed entirely of independent directors. It shall be no less than three in number, one of whom shall serve as the convener, and at least one of whom shall have accounting or finance expertise. The exercise of powers, organizational charter, and other compliance requirements of the audit committee shall be handled in accordance with the relevant laws and regulations, as well as the Company's internal guidelines.

ARTICLE 19-2

The Company shall set up a remuneration committee in accordance with the laws, and may set up other functional committees. Organizational charter of such committees shall be approved by the Board of Directors.

ARTICLE 20

The Chairman of the Board of Directors shall be elected by and among the directors and shall hold such office for a period corresponding to the term of director.

The remuneration of the Chairman of the Board of Directors is calculated based on 1.25 times the remuneration of the President of the Company.

The pension or severance pay of the Chairman of the Board of Directors shall be calculated in accordance with the relevant pension provisions of the Labor Standards Act, but not being subject to restrictions on age and seniority.

ARTICLE 21

Business operations of the Company shall be executed pursuant to the resolutions to be adopted by the Board of Directors, except for the matters the execution of which shall be effected pursuant to the resolutions of the shareholders' meeting as required by the Company Act or the Articles of Incorporation of the Company. The powers of the Board of Directors shall be as follows:

- (1) To review and approve the business policies and plans of the Company;
- (2) To review and approve the regulations with respect to the organization structure

and unit functions of the Company;

- (3) To review and approve the budget and the financial statements of the Company;
- (4) To appoint or discharge a financial, accounting, internal auditor or senior officers;
- (5) To review and approve important rules and regulations of the Company and contracts entered into by the Company;
- (6) To review and approve the increase or reduction of the capital, and the issuance of the stocks of the Company;
- (7) To review and approve a material asset transaction;
- (8) To determine the date for regular or special meetings of shareholders;
- (9) To determine the proposals for earning distribution or loss off-setting;
- (10) To determine the proposal for buying back of the stocks of the Company;
- (11) To appoint or discharge the directors and supervisors of subsidiaries of the Company;
- (12) To retain or release a certifying CPA, or the compensation given thereto;
- (13) To review and approve the organizational charters of functional committees;
- (14) To conduct any other business pursuant to the laws and the authorization of the shareholders' meeting.

The Board of Directors consists of one Chief Secretariat, Secretariats and staffs, handling the proposal, documents of the meeting of the Board of Directors and other secretariat related matters.

ARTICLE 22

The Auditing Department organized under the Board of Directors, consists of one Chief Auditor, one Deputy Chief Auditor, Auditors and staffs, handling internal auditing and related matters. Divisions can be set up in need to engage in different business.

The Chief Auditor is ranking the same as Executive Vice President and the Deputy Chief Auditor is ranking the same as Senior Vice President or Vice President of the Company.

ARTICLE 23

The Chairman of the Board of Directors shall internally chair the shareholders' meeting and the meeting of the Board of Directors; and shall externally represent the Company. In case the Chairman of the Board of Directors is absent or cannot exercise his power and authority for any cause, the Chairman of the Board of Directors shall designate one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect from among themselves an acting Chairman of the Board of Directors.

ARTICLE 24

A meeting of the Board of Directors shall, unless otherwise provided for in relevant laws and regulations, be convened by the Chairman of the Board of Directors. Unless otherwise provided in laws, resolutions of the Board of Directors shall be adopted by the approval of a majority of the Directors at a meeting of the Board of Directors, attended by a majority of all the Directors.

Directors shall attend the meetings of the Board of Directors in person. In the event a Director is unable to attend the meeting for cause, he may execute a power of attorney appointing another Director as his proxy, stating therein the scope of his authorities with

reference to the items on the agenda. The aforesaid proxy may serve as proxy for one Director only.

In case a meeting of the Board of Directors is proceeding via video conference, then the Directors attending such video conference shall be deemed to have attended the meeting in person.

ARTICLE 25

Meeting of the Board of Directors shall be held once a month. In the case of emergency, the meeting of the Board of Directors may be convened at any time. The procedure for meetings of the Board of Directors shall be governed by the relevant laws and regulations, the Articles of Incorporation of the Company, and the rules otherwise adopted by the Board of Directors.

The notice of the Board meeting may be served in writing by mail, E-mail or fax.

ARTICLE 26

Minutes of the meeting of the Board of Directors shall be prepared to record all resolutions passed at said meetings.

Article 18 hereof shall apply mutatis mutandis to the preparation and safekeeping of the minutes referred to in the preceding Paragraph.

CHAPTER VI MANAGERIAL OFFICERS

ARTICLE 27

The Company shall have a President and several Executive Vice Presidents, Senior Vice Presidents and Vice Presidents, all of whom shall be nominated by the Chairman for the consent of the Board of Directors.

ARTICLE 28

The President shall, pursuant to the instructions of the Chairman of the Board of Directors, manage all the business of the Company, implement all the resolutions adopted at the meeting of Board of Directors.

The Executive Vice President(s) shall assist the President in the matters referred to in the preceding Paragraph. In the event that the President is unable to perform his duties for cause, one of the Executive Vice Presidents shall be appointed by the Chairman to act on behalf of the President.

CHAPTER VII ACCOUNTING

ARTICLE 29

The fiscal year of the Company shall be from January 1 to December 31 of every year.

ARTICLE 30

At the close of each fiscal year, the Board of Directors shall prepare the following statements and reports, and shall submit the same to the regular meeting of shareholders for ratification in accordance with the legal procedures:

1. the business report;
2. the financial statements; and
3. the earning distribution or loss off-setting proposals.

After the ratification of the statements and reports mentioned in the preceding Paragraph by the regular meeting of shareholders, the Board of Directors shall announce or distribute to each shareholder the ratified financial statements and the resolutions on the earning distribution and/or loss offsetting.

ARTICLE 31

After paying all taxes and covering its accumulated losses of the previous years in accordance with the laws, the Company shall set aside a legal reserve in accordance with the laws. Aside from the aforesaid legal reserve, the Company may set aside special reserve, in accordance with laws or its actual needs. The remaining balance plus prior years' accumulated undistributed earnings are earnings available for distribution, for which the Company shall appropriate 30% to 100% as earnings distribution subject to the Board of Directors' decision to propose a distribution plan and to be submitted to the shareholders' meeting for approval.

At least 50% of the shareholders' dividends in the above Paragraph shall be paid in cash, and the rest paid by stock dividend. However, the percentage of cash dividend and stock dividend may be adjusted by resolution at a shareholders' meeting.

ARTICLE 31-1

The current year's earnings (pre-tax income before deducting the remuneration to employees and Directors) of the Company shall first be applied to cover all its accumulated losses, and the remaining balance shall be appropriated 0.02% to 0.15% as remuneration to employees; and not more than 0.5% as remuneration to Directors.

The employees' remuneration mentioned in the preceding Paragraph of this Article shall be distributed in cash or stock. Employees of the affiliated companies meeting certain specific requirements may be entitled to the employees' stock remuneration, subject to the rules set forth by the Board of Directors.

CHAPTER VIII ADDENDUM

ARTICLE 32

Any matters not otherwise provided in the Articles of Incorporation of the Company shall be governed by the Financial Holding Company Act, the Company Act, the Banking Act and other applicable regulations.

ARTICLE 33

These Articles of Incorporation were promulgated on December 19, 2001. The first amendment was made on June 12, 2002, the second amendment was made on November 11, 2002, the third amendment was made on June 6, 2003, the fourth amendment was made on June 11, 2004, the fifth amendment was made on June 23, 2006, the sixth amendment was made on June 13, 2008, the seventh amendment was made on June 19, 2009, the eighth amendment was made on June 23, 2010, the ninth amendment was made on June 28, 2011, the tenth amendment was made on June 15, 2012 and the eleventh amendment was made on June 24, 2014, and the twelfth amendment was made on June 24, 2016.

Appendix 3

Mega Financial Holding Co., Ltd. Shareholding of Directors

Book closure date: April 18, 2017

Position	Name	Shareholding (shares)	Percentage
Chairman	Chao-Shun Chang (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Li-Yen Yang (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Chia-Chi Hsiao (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Tzong-Yau Lin (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Cheng-Te Liang (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Ming-Hsin Kung (Representative of National Development Fund, Executive Yuan, R.O.C.)	830,973,202	6.11%
Director	Wen-Chyi Ong (Representative of Chunghwa Post Co. Ltd.)	477,304,910	3.51%
Director	Chun-Lan Yen (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Ye-Chin Chiou (Representative of Bank of Taiwan)	334,951,379	2.46%
Director	Shiow-Huey Yeh (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Wen-Ling Hung (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Director	Chiu-Fa Tsai (Representative of Ministry of Finance R.O.C.)	1,143,043,883	8.40%
Independent Director	Tsun-Siou Li	0	-
Independent Director	Keh-Nan Sun	0	-
Independent Director	Chi-Hung Lin	0	-
Number of the shares held by all directors: 2,786,273,374 shares (20.49%)			
Minimum number of directors' shareholding required by the FSC: 160,000,000 shares (1.18%)			

Note: As the Company has established the Audit Committee, the minimum shareholding requirements for supervisors shall not apply.