

# **Mega Financial Holding Company**

## **Minutes of the 2020 Annual General Shareholders' Meeting**

Date and Time: 9:00 a.m., June 19, 2020

Venue: Jilin Bldg. of Mega International Commercial Bank, No. 100, Jilin Road, Taipei, Taiwan, R.O.C.

Attendance: The number of shares in attendance is 10,021,436,899 shares (including 9,566,414,369 shares attended through electronic means). This constitutes 82.15% of the total 12,198,692,252 shares issued, excluding 1,401,131,731 shares retained in China.

Attending directors: (12 directors, more than half of directors)

### Directors

Chao-Shun Chang, Kuang-Hua Hu, Yong-Yi Tsai, Cheng-Te Liang, Chun-Lan Yen, Pei-Chun Chen, Wen-Ling Hung, Chi-Hsu Lin, Cheng-Mount Cheng

### Independent Directors

Jiun-Wei Lu (Chair of the Audit Committee), Ying-Ko Lin (Chair of the Remuneration Committee), Chang-Ching Lin

Observers:

Pei-Chi Hung, Attorney-at-Law, Lotus International Law Office  
Chi, Shu-Mei, CPA, PricewaterhouseCoopers, Taiwan

Chairman: Chao-Shun Chang, Chairman of the Board of Directors

Minutes taken down by Chia-Min Hong

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

### **2. Chairman's Remarks (omitted)**

### **3. Reports Items**

(1) 2019 Business Report (Please refer to Attachment 1 for the 2019 Business Report)  
(Noted)

(2) Audit Committee's Review Report on the 2019 Business Report and Financial Statements  
(Please refer to Attachment 2 for the Audit Committee's Review Report)  
(Noted)

(3) The Distribution of Employees' and Directors' Compensation for 2019  
(Noted)

- (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

(Noted)

- (5) Report on the amendment to the Company's "Principles for Ethical Management" (Please refer to Attachment 3 for the comparison table of the amended Principles for Ethical Management)

(Noted)

Statement Summary:

1. Shareholder (No. 1048773) inquired about the Company's dividend payable on shares retained in China and proposed to publish the order in which shareholders speak.
2. Shareholder (No. 0837354) proposed to lower the 2020 earnings goal, construct a headquarters building and accelerate digital transformation.
3. Shareholder (No. 609603) proposed that subsidiaries strive for profit improvement and expedite the progress in dealing with non-performing loans.
4. Shareholder (No. 600337) expressed her support to the management team.
5. Shareholder (No. 962593) made suggestions for the securities subsidiary to launch employee stock ownership plan and raise employee compensation.
6. Shareholder (No. 771053) proposed to adjust the sales strategy of wealth management business.
7. Shareholder (No. 0827304) made suggestions for the bank subsidiary to streamline the collection procedure of non-performing loans and lower the goals for credit to small business entities.
8. Shareholder (No. 1229321) proposed to construct a headquarters building.
9. Shareholder (No. 970388) inquired about the Group's digital transformation plan.
10. Shareholder (No. 694273) proposes to dissolve business centers of the bank subsidiary.

The above questions and suggestions were responded by the Chairman.

#### **4. Matters for Recognition**

**Proposal 1:** 2019 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation: The Company's 2019 financial statements were audited by CPA, Chi, Shu-Mei and Lai, Chung-Hsi of PricewaterhouseCoopers. The Financial Statements described above and the Business Report of 2019 have been approved by the Board and reviewed by the Audit Committee. Please refer to Attachments 1 and 4 for the 2019 Business Report and Financial Statements.

Statement Summary:

1. Shareholder (No. 1229321) proposed to raise the appropriation rate of the new labor pension system.
2. Shareholder (No. 1175045) proposed to establish an employee training center and raise the appropriation rate of the new labor pension system.
3. Shareholder (No. 962593) made suggestions for cross selling, set-up of labor director and distribution target of employee compensation.
4. Shareholder (No. 1048773) inquired about the applicable laws and regulations governing the dividends payable on shares retained in China.

The above questions and suggestions were responded by the Chairman.

**RESOLVED:** Approved as proposed, voting results are as follows:

Total votes	Approval votes	Disapproval votes	Abstention votes	Invalid votes
10, 021, 436, 899	9, 251, 535, 962	1, 202, 092	762, 878, 425	5, 820, 420
100%	92. 31%	0. 01%	7. 61%	0. 05%

**Proposal 2:** The Proposal for Distribution of 2019 Earnings. (Proposed by the Board of Directors)

Explanation: The Board of Directors proposed to distribute a dividend of NT\$1.7 per share in cash with aggregate cash dividends of NT\$23,119,700,771. 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 per share based on the cash dividend resolved to be distributed and the number of shares outstanding on the ex-dividend record date. Please refer to Attachment 5 for the 2019 Earnings Distribution Table.

Statement Summary:

Shareholder (No.1048773) proposed to amend the format of speaker's slips and publish the order in which shareholders speak.

The above suggestions were responded by the Chairman.

**RESOLVED:** Approved as proposed, voting results are as follows:

Total votes	Approval votes	Disapproval votes	Abstention votes	Invalid votes
10, 021, 436, 899	9, 279, 528, 494	1, 765, 912	734, 322, 073	5, 820, 420
100%	92. 59%	0. 01%	7. 32%	0. 05%

## 5. Matters for Discussion

**Proposal 1:** Amendment to the Company's Rules of Procedures of Shareholders' Meetings.

(Proposed by the Board of Directors)

Explanation:

- (1) It is proposed that the Company's "Rules of Procedures of Shareholders' Meetings" be amended. The key points of the amendments are as follows:
  1. Specifying that the attendance of shareholders' meeting by board of directors shall be recorded in the meeting minutes. (Amended Article 5)
  2. Stipulating that vote for each proposal shall be carried out by a poll of the shareholders. (Amended Article 10)
  3. Adding a proviso to the statement that a shareholder shall be entitled to one vote for each share held. (Amended Article 11)
  4. Specifying that the audio and video recording of a shareholders' meeting shall be made beginning from the time shareholder attendance registrations is accepted. (Amended Articles 15)
- (2) Please refer to Attachment 6 for the Comparison Table of the Amended Rules of Procedures of Shareholders' Meetings.
- (3) This proposal has been approved by the 22th meeting of the 7th term of Board of Directors held on March 24, 2020.

Statement Summary:

Shareholder (No.1048773) expressed his opinion about voting method.

The above suggestion was responded by the Chairman.

**RESOLVED:** Approved as proposed, voting results are as follows:

Total votes	Approval votes	Disapproval votes	Abstention votes	Invalid votes
10, 021, 436, 899	9, 276, 082, 715	1, 519, 059	738, 015, 939	5, 819, 186
100%	92. 56%	0. 01%	7. 36%	0. 05%

**Proposal 2:** Amendment to the "Rules for Election of Directors". (Proposed by the Board of Directors)

Explanation:

- (1) In order to comply with the amendments made to the related decrees of election of directors and the improvement of practical operations in recent years, it is proposed that some articles of the Rules for Election of Directors be amended. The key points of the amendment are provided as follows:

1. Adopting the regulation of by-election to fill the vacancy for the directors and independent directors. (Amended Article 5)
  2. Adopting the required qualification for the directors. (Amended Article 6)
  3. Adopting the overall qualifications and the structure restrictions for the Board. (Amended Article 7)
  4. Amending the related specification of the ballot. (Amended Article 9)
  5. Amending the method for filling in the ballot. (Amended Article 11)
  6. Amending the cause of invalid ballot. (Amended Article 12)
- (2) Please refer to Attachment 7 for the comparison table of the amended Rules for Election of Directors.
- (3) This proposal has been approved by the 22th meeting of the 7th term of Board of Directors held on March 24, 2020.

**Statement Summary:**

Shareholder (No.1048773) inquired about the qualifications of independent directors and some articles of the “Rules for Election of Directors”.

The above questions were responded by the Chairman.

**RESOLVED:** Approved as proposed, voting results are as follows:

Total votes	Approval votes	Disapproval votes	Abstention votes	Invalid votes
10, 021, 436, 899	9, 281, 583, 996	1, 696, 819	738, 156, 084	0
100%	92. 61%	0. 01%	7. 36%	0. 00%

**Proposal 3:** 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 of another company that is engaged 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 participation in competitive business during the tenure, according to Article 209 of the Company Act.

Position	Name of Director	Company	Concurrent Post
Juristic Person Shareholder	Bank of Taiwan Co., Ltd.	Taiwan Financial Asset Service Corporation	Director
		Taiyi Real-Estate Management Co., Ltd.	Director
		Taiwan Urban Regeneration & Financial Services Co., Ltd.	Director
Chairman	Chao-Shun Chang	Taiwan Asset Management Corporation	Director
Director	Kuang-Hua Hu	Next Commercial Bank Co., Ltd.	Director
Director	Yong-Yi Tsai	Financial Information Service Co., Ltd.	Director
		Taiwan Finance Corporation	Director
Director	Hong-Mo Wu	Chunghwa Post Co., Ltd.	Chairman

(3) This proposal has been approved by the 22th meeting of the 7th term of Board of Directors held on March 24, 2020.

Statement Summary:

Shareholder (No.1048773) expressed his opposition to this proposal.

**RESOLVED:** Approved as proposed, voting results are as follows:

Name of director	Total votes *	Approval votes (%)	Disapproval votes (%)	Abstention votes (%)	Invalid votes (%)
Bank of Taiwan Co., Ltd.	9,686,485,520 (100.00%)	8,130,275,065 (83.93%)	2,782,897 (0.02%)	1,553,427,558 (16.03%)	0 (0.00%)
Chao-Shun Chang	8,878,105,303 (100.00%)	7,321,267,266 (82.46%)	3,352,146 (0.03%)	1,553,485,891 (17.49%)	0 (0.00%)
Kuang-Hua Hu	8,878,393,016 (100.00%)	7,321,563,118 (82.46%)	3,331,118 (0.03%)	1,553,498,780 (17.49%)	0 (0.00%)
Yong-Yi Tsai	8,878,128,947 (100.00%)	7,321,292,640 (82.46%)	3,339,228 (0.03%)	1,553,497,079 (17.49%)	0 (0.00%)
Hong-Mo Wu	9,530,700,989 (100.00%)	7,973,537,236 (83.66%)	3,662,271 (0.03%)	1,553,501,482 (16.29%)	0 (0.00%)

\* Shareholders having conflicts of interest recuse themselves from voting.

## 6. Special Motions

Statement Summary:

Shareholder (No.1048773) proposed to amend the format of speaker's slips and publish the order in which shareholders speak.

After responding to each suggestion and comment, and seeing no other provisional motions, the Chairman announced that the meeting be adjourned.

## 7. Meeting adjournment (at 12:41 AM)



1. According to article 183 paragraph 4 of Company Act, this meeting minutes record a summary of the essential points of the proceedings and the results of the meeting. The meeting's content, procedures and shareholders' speech were based on the audio recording.
2. The proportions of approval votes, disapproval votes, abstention votes, and invalid votes to total votes were rounded down to the second decimal place, and may not total 100%.

### Attachments

**Attachment 1.** 2019 Business Report

**Attachment 2.** Audit Committee's Review Report

**Attachment 3.** The Comparison Table of Amended Principles for Ethical Management

**Attachment 4.** 2019 Financial Statements

**Attachment 5.** Earnings Distribution Table for Year 2019

**Attachment 6.** Comparison Table of Amended Rules of Procedure of Shareholders' Meetings

**Attachment 7.** The Comparison Table of Amended Rules for Election of Directors

# **Attachments**



## **Attachment 1**

### **Mega Financial Holding Co., Ltd. 2019 Business Report**

After two years of US-China trade war, the shrink of global manufacturing industry and supply chain shift has dampened economic and trade momentum. Global trade volume decreased dramatically in 2019 to the fourth lowest in current 40 years. At beginning of this year, when there were finally some signs to reduce global uncertainty such as the ease of US-Iran tension, the signing of US-China phase one trade deal in January, and official Brexit in January, the spread of COVID-19 from China to the world deeply impacted industries such as travel, airline, dining, and manufacturing, plus their supply chains. Under the pandemic, many countries in the Asia pacific region, emerging market, and western world have announced interest rate cut and numerous bailout measures to boost economy. However, global stock and financial markets crashed after the pandemic announcement by WHO on March 11th and the drop of oil price caused by failure on production cut negotiation. Many countries have closed the borders and stopped international trades to contain the virus outbreak. The VIX index has increased dramatically. After slashing rates to a half a percentage point in the emergency cut on March 3rd, the Fed made another cut, slashing the federal funds rate by one percent to near zero on March 16th. The Fed also launched a massive US\$700 billion quantitative easing program and trillion cash injection plan. However, the stock market still plunged after those announcements. Dow Jones Index dramatically fluctuated, ended bull market since 2009, and tumbled into bear market. Other stock markets suffered catastrophic loss as well. The above also deepened the worry about another financial crisis. On March 23rd, Fed announced unlimited QE and to provide unlimited fund support to the market. Since March, the leading international economic forecast organizations including OECD, IIF, EIU, IHS Markit, IMF all cut dramatically their global economic growth forecast, showing the pandemic has a huge impact on global economy.

Q1 2019 GDP growth rate decreased to the low point of 1.84% because of unsolved trade war issues between main countries, China's economic slowdown, and resurgent geopolitical risks. However, stable employment market and active wage raise promoted by corporates are conducive to stable private consumption. Also, the demands of new technologies like 5G, Internet of Things, and AI have increased. Plus, semiconductor advanced manufacturing process has been further promoted. The exports of information, communication and audio-video products and electronic components have also increased. The above drove the growth momentum of our country's manufacturing and export activities. Furthermore, Taiwan government launched Three Major Investment Programs and Forward-Looking Infrastructure Plan to boost domestic demands, encourage the shift of order to Taiwan, and attract homecoming fund from Taiwanese entrepreneurs. Thus, Taiwan's GDP growth was climbing up to 2.60%, 3.03%, and 3.31% in 2nd, 3rd, and 4th

quarter respectively and as result year 2019 GDP growth rate was closed as 2.71%. However, recent Covid-19 outbreak has triggered breaks in global supply chain and seriously threatened normal economy running. Taiwan, which is highly connected to global economy while both USA and China are main export markets, will face headwinds on its economic performance while global economic growth rate is sliding.

Regarding compliance practice, Mega International Commercial bank (the Bank) will continue to strengthen all compliance teams' expertise, optimize AML system, and cultivate a deeper compliance culture. Also, it will follow international compliance standard to promote strict Anti-Money-Laundering policies and procedures (GPS.) Despite the over NT\$ 1 billion spend on compliance related personnel and systems for continuous optimization of compliance practice, Mega Financial Holding Company (the Company) in 2019 still performed well: The consolidated profit of 2019 reached NT\$28,955 million, an increase of NT\$862 million or 3.07% from NT\$28,093 million in 2018, an continuous growth in last three years. The EPS was NT\$2.13. The operation guidelines, implementation overview, implementation of business plans, implementation of budget, financial results and profitability analysis, and research and development of the Company in 2019 are shown below:

## **I. Operational Guidelines**

1. Optimizing oversea deployment and deepening customer relationships.
2. Strengthening existing profit base and diversifying revenue sources.
3. Cultivating risk management culture and implementing risk management.
4. Perfecting information security management and optimizing service innovation.
5. Fulfilling corporate social responsibility and adding Company's long term value.
6. Strengthening institutional investor relationship and increasing information transparency.
7. Fortifying anti-money laundering practice and optimizing legal compliance management.

## **II. Implementation Overview**

### **(1) Continue to enhance the subsidiary's business**

The subsidiaries of the Company had continued to enhance their business operations in 2019 based on the existing foundation. In terms of corporate finance business, the Bank's syndicated loan business had a market share of 7.95% in 2019, ranked 3rd in the syndicated loan market in Taiwan. By the end of 2019, its credit business captured the third position among local banks, with a market share of 6.69%. The loan business captured the fourth position among local banks, with a market share of 6.34%. The corporate loan business had a market share of 6.57%, ranking on the fifth place. The SME loan business had a market share of 7.26%, ranking on the fifth place among the local banks. In terms of consumer finance and wealth management business, after making every effort to expand the business and injection of the second profit generating engine, the Bank had a consumer loan

outstanding of NT\$428.6 billion by the end of 2019, increasing by 6.48% from the NT\$402.6 billion in 2018. The Group's total wealth management profit in 2019 reached NT\$3.8 billion, increasing by 11.98% compared to 2018. The CP2 issued amounts of Mega Bills Finance had a market share of 27.20% in 2019. Its bills trading and bond trading in the secondary market had a market share of 30.14% and 28.86%, respectively, and the bills guarantee business had a market share of 30.03%, all ranking as the first place in the market. Mega Securities' securities brokerage market share grew to 3.23% in 2019, ranking on the ninth place in the market. Chung Kuo Insurance Company's aviation insurance business had a market share of 16.33% in 2019, ranking on the second place in market. The marine insurance business had a market share of 9.37% in 2019, ranking in the third place in the market.

(2) Six management goals

To ensure maintaining good profitability and sustainable growth, the Company will continue to reinforce the profitability of its core business, deepen group cross-selling, increase the co-work with other government owned financial institutions. Also, the Company will accelerate the promotion of digitalization of physical branches, optimize the customer experience on digital channels, cultivate AI big data capability, and continue digital innovation services, to hope to be more agile and young in this Fintech competition to create more profits. On the other hand, the Company will continue to increase capital strength and proceed with structure adjustment, increase of interest spread, enhancement of fee income, and expansion of financial operation and investment. Also the Company will reinforce risk management and compliance to strictly control operation risk. The concrete action plans are as follows:

a. Structure adjustment

For product structure, the Bank will further adjust the structure of its business, while the insurance subsidiary, Chung Kuo Insurance Company, will adjust its insurance product structure. As far as the channel structure, the Bank will divide up its branches by specialty based on big data analysis. Also along with the trend of Fintech and mobile bank, the Company will develop Fintech related application and optimize digital service content. In terms of region structure, the Bank will promote the syndication business in New York branch, expand New Southbound area operation units, and cultivate oversea business.

b. Increase of interest rate spread

To increase the interest rate spread, the Bank will expand the percentage of demand deposit over total deposit, increase loan to deposit ratio to increase interest rate spread. The bills finance subsidiary, Mega Bills Finance Company, will expand its funding source in the secondary market to lower its funding cost and boost interest rate spread.

- c. Enhancement of fee income  
The Company will continue to expand fee income of wealth management business, credit card business and syndicated loan and increase fee income from brokerage, underwriting, and fund management.
- d. Expansion of financial operations and investment  
The Company focuses on international financial market, stay on top of fluctuation of foreign exchange rate and international stock and bond market, actively increase currency bond trading and SWAP transaction, and maintain its leading position in the bills and bond market. Also the Company will optimize the performance of securities proprietary trading, increase premium high yield stock investment, and activate the assets allocation to improve investment performance.
- e. Emphasis on risk management  
The Company will continue to optimize efficiency of capital use, manage actively, promote the business development, and optimize risk asset allocation to fit the capital requirement of D-SIBs supervision and the risk appetite.
- f. Enhancement of regulatory compliance  
From three aspects: corporate guide line, system, and practice, the Company will implement regulatory compliance, anti-money laundering and internal control practices. Also the Company will follow “Risk oriented internal audit guide line” to implement internal three lines of defenses to control operation risk.

### **III. Implementation of Business Plans**

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 investee enterprises. As of the end of 2019, the subsidiary companies, in which the Company has direct controlling interest, remains the same as those of 2018. The subsidiary companies are Mega International Commercial Bank Co., Ltd., Mega Securities Co., Ltd., Mega Bills Finance Co., Ltd., Chung Kuo Insurance Co., Ltd., Mega International Investment Trust Co., Ltd., Mega Asset Management Co., Ltd., Mega Life Insurance Agency Co., Ltd. and Mega Venture Capital Co., Ltd. The operation results of our subsidiary companies are summarized as follows:

### (1) Mega International Commercial Bank

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

Item \ Year	2019	2018	Change (%)
Deposits (including due to Chunghwa Post Co., Ltd.)	2,406,806	2,354,393	2.23
Loans, Import/export bills negotiated	1,841,478	1,824,721	0.92
Corporate financing	1,436,729	1,405,758	2.20
Consumers financing (excluding credit card revolving loans)	404,749	418,963	-3.39
Foreign exchange business	880,043	893,678	-1.53
Securities purchased	564,119	529,031	6.63
Long-term equity investments	19,059	19,411	-1.81
Credit card revolving loans	1,274	1,140	11.75

Note: 1. All figures above are in average monthly basis, except foreign exchange business as in aggregation basis.

2. The non-performing loans outstanding at the end of 2019 amounted to NT\$2,614 million, representing a non-performing loan ratio of 0.14%, while the bad debt coverage ratio reached 1,120.08%.

3. Since January 2019, the balance of "personal land & construction loan-non self-use," which was categorized as consumer loan, has been re-categorized as corporate loan. The balance was NT\$26,819 million as of end of 2018.

### (2) Mega Securities Company

Item		2019	2018	Change (%)
Securities brokerage	Market share of brokerage	3.23% (Rank 9 <sup>th</sup> )	3.22% (Rank 8 <sup>th</sup> )	0.01
	Market share of margin loan	5.53% (Rank 6 <sup>th</sup> )	5.37% (Rank 6 <sup>th</sup> )	0.16
Equity underwriting	Number of issues lead managed by MSC	11(Rank 7 <sup>th</sup> )	8(Rank 7 <sup>th</sup> )	37.50
Bond underwriting	Number of corporate bond issues lead managed by MSC	2(Rank 10 <sup>th</sup> )	1(Rank 8 <sup>th</sup> )	100.00
	Amount of corporate bond issues lead managed by MSC (NT\$ billion)	10.5(Rank 9 <sup>th</sup> )	6(Rank 7 <sup>th</sup> )	75.00
New financial products	Number of warrants issued	1,243 (Rank 10 <sup>th</sup> )	1,238 (Rank 12 <sup>th</sup> )	0.40
	Amount of warrants issued (NT\$ billion)	10.5 (Rank 10 <sup>th</sup> )	10.4 (Rank 13 <sup>th</sup> )	0.96

Note: It is the ranking among local securities peers in 2019.

**(3) Mega Bills Finance Company**

Units: NT\$ million

Item	2019	2018	Change (%)
Underwriting and purchasing of bills	2,705,942	2,806,666	-3.59
Underwriting amount of commercial paper issued for funding purpose (CP2)	2,472,063	2,369,796	4.32
Trading volume of bills	8,634,497	8,723,464	-1.02
Trading volume of bonds	4,779,451	4,911,287	-2.68
Average outstanding balance of guaranteed issues of commercial paper	165,614	161,271	2.69
Overdue credit amounts	0	0	-
Percentage of overdue credits (%)	0	0	-

Note: 1. The decrease of underwriting and purchasing, and trading volume of bills in 2019 compared to 2018 is due to the decrease of NCD which has lower interest margin.

2. The decrease of trading volume of bonds in 2019 compared to 2018 is due to less trading base and longer trading terms.

**(4) Chung Kuo Insurance Company**

Unit: NT\$ million

Item	2019	2018	Change (%)
Direct written premiums	7,468	6,911	8.06
Reinsurance premiums	769	655	17.40
Total	8,237	7,566	8.87

**(5) Mega International Investment Trust Company**

Unit: NT\$ million

Item	2019	2018	Change (%)
Public funds under management	92,398	79,274	16.56
Private placement funds under management	16,248	16,142	0.66
Discretionary account	795	902	-11.86
Total	109,441	96,318	13.62

Note: The decrease of discretionary account is due to scheduled redemption.

**(6) Mega Asset Management Company**

Unit: NT\$ million

Item	2019	2018	Change (%)
Gain from recovery of NPL purchased and the disposal of related collateral	79	12	558.33
Rental income	1	0	-
Interest income	2	3	-33.33
Service income	330	387	-14.73
Total	412	402	2.49

Note: 1. The decrease of interest income is due to the termination of a trust beneficial right.

2. The decrease in service income is due to the repayment from banks given two under asset-managed clients already got their construction licenses.

**(7) Mega Venture Capital Company**

Unit: NT\$ million

Item	2019	2018	Change (%)
Drawdown of long term equity investment	214	234	-8.55
Balance of long term equity investment	686	700	-2.00

Note: The decrease on the above is due to cautious selection on investees, selling off investment with poor prospect, and lower budget considering USA-China tension.

**(8) Mega Life Insurance Agency Company**

Unit: NT\$ million

Item	2019	2018	Change (%)
Commission income	1,806	1,415	27.63

#### IV. Implementation of Budget

(1) The Company's 2019 budget and its implementation are as follows:

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

Item	Final accounting figure, 2019	Budget figure, 2019	Achievement Rate (%)
Revenues	29,504.37	28,640.38	103.02
Expenses and losses	473.37	497.15	95.22
Net income before tax from continuing operations	29,030.99	28,143.23	103.15
Net income	28,956.24	28,054.44	103.21
Earnings per share	2.13	2.06	103.40

Note: The figures are in unconsolidated basis

(2) The Company's Subsidiaries' 2019 budget and its implementation are as follows:

Unit: NT\$ million

Name of subsidiary	Net income before tax - actual	Net income before tax - budget	Achievement Rate (%)
Mega International Commercial Bank Co., Ltd.	28,301.65	28,200.02	100.36
Mega Securities Co., Ltd.	1,185.41	733.83	161.54
Mega Bills Finance Co., Ltd.	3,165.98	2,902.65	109.07
Chung Kuo Insurance Co., Ltd.	231.81	500.00	46.36
Mega Asset Management Co., Ltd.	271.71	253.90	107.02
Mega Life Insurance Agency Co., Ltd.	506.89	455.93	111.18
Mega Venture Capital Co., Ltd.	48.28	23.89	202.11
Mega International Investment Trust Co., Ltd.	109.69	106.19	103.29

Note: 1. Chung Kuo Insurance Company posted a budget achieving rate of 46.36% largely because of the decrease in underwriting profit, despite the increase of investment profit.

2. The figures are in unconsolidated basis



## V. Financial Results and Profitability Analysis

The Company and its subsidiaries' consolidated net income before tax in 2019 amounts to NT\$33,654 million, an increase of NT\$2,574 million or 8.28% compared to 2018. The increase are mainly contributed by the below: revenue other than interest increased NT\$6,643 million, which is contributed by the increase of gain on financial asset and liabilities at fair value through profit or loss, and the increase of realized gain on financial assets at fair value through other comprehensive income, but offset by the decrease of service fee revenue and commissions, and decrease of foreign exchange gains; bad debts expense and provisions decreased by NT\$ 1,205 million; net interest income decreased NT\$2,978 million; operating expense increased NT\$2,297 million. The Company and its subsidiaries' consolidated net income after tax is NT\$ 28,955 million, an increase of NT\$862 million or 3.07% compared to 2018. The Company's consolidated ROA is 0.80%, and ROE reached 9.07%. A breakdown of the financial results of the Company and its subsidiaries in 2019 are shown in the table below:

Unit: NT\$ million,

Company	Net Income Before Tax	Net Income After Tax	Earnings Per Share (NT\$)	Return on Assets (%)	Return on Equity (%)
Mega FHC & Its Subsidiaries (Consolidated)	33,654.27	28,954.80	2.13	0.80	9.07
Mega FHC (Unconsolidated)	29,030.99	28,956.24	2.13	8.12	9.07
Mega International Commercial Bank Co., Ltd.	28,301.65	24,644.88	2.89	0.76	8.58
Mega Securities Co., Ltd.	1,185.41	1,089.66	0.94	1.84	6.84
Mega Bills Finance Co., Ltd.	3,165.98	2,625.35	2.00	1.00	7.10
Chung Kuo Insurance Co., Ltd.	231.81	181.47	0.60	1.06	2.63
Mega Asset Management Co., Ltd.	271.71	203.42	1.02	1.66	7.42
Mega Life Insurance Agency Co., Ltd.	506.89	405.51	202.76	68.04	95.41
Mega Venture Capital Co., Ltd.	48.28	48.28	0.48	6.55	6.55
Mega International Investment Trust Co., Ltd.	109.69	87.45	1.66	9.32	10.50

Note: 1. Return on assets = Net income after tax / Average assets; Return on equity = Net income after tax / Average equity.

2. Except for the consolidated financials of Mega FHC & its subsidiaries, all financials are in unconsolidated basis.

## **VI. Research and Development**

The Company and its subsidiaries' research and development progress in 2019 are summarized as follows:

- (1) After the Company obtained the patent for market risk evaluation system in 2018, it obtained the utility model patent for management system of high-risk country's financial product in 2019 and the utility model patent for corporate financial warning system in 2020. The invention model patent application for corporate financial warning system is under review. Also, the company has been evaluating the feasibility to merge with or acquire other domestic or international financial institutions. Furthermore, the Company is helping the whole group to implement CSR. To conform to IFRS 9, it revised the financial risk reporting system established under IFRS 7. The Company is also developing the warning system for negative news of corporates or industries. Last, the Company has put continuous efforts on optimization of the Group's equity valuation system, consolidated financial statement system, and financial performance management system, and IFRS 16 leasing measurement and reporting system.
- (2) The banking subsidiary, in order to facilitate various business developments, continues to develop respective new financial instruments or marketing projects that help address market dynamics and satisfy the needs of customers. New financial instruments developed throughout 2019 included the "Old Building Reconstruction Project Loan" and the "Mortgage e-System (online housing value calculation system)" in the loan business. For the credit card business, on the other hand, there is upgrade in features of the "Gogoro Card" and the smart key credit card, the first of its kind in the world, was introduced. It combines the features of a credit card and the electric scooter unlocking technology in one. It won the "2019 Best Credit Card in Taiwan Award" from the International Business Magazine, too. In order to go with the trend of a digitalized age, efforts have also been made to strengthen various types of digital financing applications. The "STM Smart Teller Machine" was set up in 2019, for example, in order to enhance the account opening efficiency at respective branches. The "Corporate Banking Customer Correlation Analysis" was introduced to facilitate development of business at profit-making units. Optimization of the LINE official account "Business Connect" to provide preferred features continued. In addition, the "Mega Bank Fun Store" was connected to respective transaction services in order to optimize digital experience of customers and to increase current stickiness. While the Company is putting resources on Fintech, it also actively applies for patents to protect its rights. As of December 31, 2019, it obtained 102 utility model patents and 42 invention patents approvals from the Ministry of Economic Affairs, and 8 utility model patents and 40 invention patents applications are under review.

- (3) The securities subsidiary followed the timeframe to broaden its scope of operation set by the competent authority by evaluating new business to begin, related systems and management mechanisms to be set up, cooperating in the overall planning of the holding group, promoting the e-banking policy, precisely implementing e-commerce, and continuing to create and boost respective features of the information system. In response to the new “case-by-case matching system” in March 2020, the information system was comprehensively optimized in 2019. Existing e-platform transaction interfaces were examined, modified, and tested. The Line@wealth management trust fund inquiry was introduced in March and Line@warrant screening and order placing feature - Mega Homerun in September. Also, the company introduced wealth management welcome robots in October and online account opening 2.0 to provide potential investors to open security account swiftly by using the Bank’s debit card or online bank account name and password in December.
- (4) Mega Bills Finance Company has set up e-platform for non-guarantee commercial paper issuances, enhance risk monitoring and execution on anti-money laundering and combating financing of terrorism (AML/CFT), optimize financial statement management and accounting standard platform and the system of electronic delivery of secondary market transaction documents, promote electronic bond deposit book and trade documents, and improve the existing self-assessment system for operational risk. Also, it continuously negotiates a wider range for derivatives transactions allowed for bill companies.
- (5) Chung Kuo Insurance Company has applied Fintech and digitalization to simplify the process and increase efficiency. It also uses data analysis on predicting consumer behaviors to develop insurance products with marketability, competitiveness and profitability. A total of 240 insurance products were filed with authority in 2019, including 1 product on a “prior approval” basis, 183 products on a “file for recordation” basis and 56 products on a “simple file for recordation” basis.

Chairman: Chao-Shun Chang    President: Kuang-Hua Hu    Chief-Accountant: Ching-Yi Li

## **Attachment 2**

### **Mega Financial Holding Co., Ltd. Audit Committee's Review Report**

The Board of Directors has compiled and delivered the Company's 2019 consolidated financial statements audited by CPA Chi, Shu-Mei and Lai, Chung-Hsi of PricewaterhouseCoopers, business report and earning distribution proposal. The above reports and statements have been examined by the Audit Committee and considered in compliance with relevant rules and regulations. We hereby prepare 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: 2020 General Shareholders' Meeting

Mega Financial Holding Co., Ltd.

Chairman of the Audit Committee: Jiun-Wei Lu

Date: May 12, 2020

## Attachment 3

### Mega Financial Holding Co., Ltd.

#### The Comparison Table of Amended Principles for Ethical Management

Amended Article	Original Article	Explanation
<b>Article 1 Purpose and Application</b> The Principles for Ethical Management (the Principles) have been established by Mega Financial Holding Co., Ltd. (the Company) in order to strengthen the corporate culture of ethical management and sustainable business development. <u>The Company's subsidiaries, enterprises and other forms of legal entities, directly or indirectly controlled by the Company, shall establish their own Principles for Ethical Management in line with the Principles, and obtain approval from the board of directors.</u>	<b>Article 1 Purpose and Application</b> The Principles for Ethical Management (the Principles) have been established by Mega Financial Holding Co., Ltd. (the Company) in order to strengthen the corporate culture of ethical management and sustainable business development. The Principles shall be applied by subsidiaries, enterprises and other forms of legal entities, directly or indirectly controlled by the Company, <u>which may otherwise establish their own Principles for Ethical Management in line with the Principles.</u> <u>Provisions herein on directors shall apply to supervisors, if any, of those previously mentioned legal entities.</u>	As each subsidiary has established its own Principles for Ethical Management, paragraph 2 of this Article related to the application of the Principles by the subsidiary is deleted. And it is added that each subsidiary's Principles for Ethical Management should be reported to its board of directors for approval.
<b>Article 1-1 Responsible Unit</b> <u>The Administration Department is designated to handle the administrative matters of the Principles.</u>		1. This Article is newly added. 2. The concerned department of the Principles is added.
<b>Article 2 Policies</b> The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith <u>and obtain approval from the board of directors, and</u>	<b>Article 2 Policies</b> The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk	Pursuant to Article 5 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, it expressly specifies that the Ethical

<p>establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.</p>	<p>control and management mechanism so as to create an operational environment for sustainable development.</p>	<p>Management Policies should be reported to the board of directors for approval.</p>
<p><b>Article 7 Commitment and Implementation</b>  <u>The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u>  The Company shall clearly specify in its rules and external documents <u>and on the Company website</u> the ethical corporate management policies and the commitment by the board of directors and the <u>senior</u> management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p><b>Article 7 Commitment and Implementation</b>    The Company shall clearly specify in its rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.</p>	<p>1. Pursuant to Article 8 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, it is added in paragraph 1 of this Article that the Company shall request its directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</p> <p>2. The existing article is moved to paragraph 2 of this Article. It is added that the Company shall clearly specify on its website the ethical corporate management policies and the commitment by the board of directors and the management to actively carry out the policies.</p>
<p><b>Article 20 Organization and Responsibility</b>  The directors, managerial officers, employees, mandatories, and substantial controllers of the</p>	<p><b>Article 20 Organization and Responsibility</b>  The directors, managerial officers, employees, mandatories, and substantial controllers of the</p>	<p>Pursuant to Article 17 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed</p>

<p>Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of the Principles.</p> <p>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and <u>avail itself of adequate resources and staff itself with competent personnel</u>, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors <u>at least once a year</u>:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> <li>3. Planning the internal</li> </ol>	<p>Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of the Principles.</p> <p>To achieve sound ethical corporate management, the Company shall establish a dedicated unit that is under the board of directors and responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors <u>on a regular basis</u>:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> <li>3. Planning the internal</li> </ol>	<p>Companies, it is added in paragraph 2 of this Article that the dedicated unit shall have adequate resources and competent personnel, and shall report to the board of directors at least once a year.</p>
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<p>organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	<p>organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p>	
<p><b>Article 22 Whistle-blowing System</b></p> <p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <p>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and</p>	<p><b>Article 22 Whistle-blowing System</b></p> <p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <p>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and</p>	<p>1. The wording of subparagraph 2 of paragraph 1 of this Article is revised.</p> <p>2. The principles regarding acceptance of anonymous reporting are added in paragraph 2 of this Article.</p> <p>3. Pursuant to Article 8 of the Company's Procedures for Handling of Whistleblowing, paragraph 2 of this</p>



<p>outsiders to submit reports.</p> <p>2. Dedicated unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to <u>all</u> independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>4. Confidentiality of the identity of whistle-blowers and the content of reported cases.</p> <p>5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p>6. Whistle-blowing incentive measures.</p> <p><u>Anonymous reporting will not be accepted in principle, except that a concrete content or evidence is provided with investigation necessity.</u></p> <p>When material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation, the dedicated unit handling the whistle-blowing system shall immediately <u>report to the board of directors. Critical incident or material violation discovered in the investigation shall be reported or filed with relevant authorities.</u></p>	<p>outsiders to submit reports.</p> <p>2. Dedicated <u>personnel or unit</u> appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</p> <p>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</p> <p>4. Confidentiality of the identity of whistle-blowers and the content of reported cases.</p> <p>5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</p> <p>6. Whistle-blowing incentive measures.</p> <p>When material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation, the dedicated <u>personnel or unit</u> handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.</p>	<p>Article is amended to specify that material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation shall be reported to the board of directors. Critical incidents or material violation discovered in the investigation shall be reported to the relevant authorities.</p>
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<b>Article 27 Enforcement</b> The Principles, and any amendments to them, shall enter into force after they have been adopted by the board of directors, and <u>reported</u> to a shareholders meeting.	<b>Article 27 Enforcement</b> The Principles, and any amendments to them, shall enter into force after they have been adopted by the board of directors, and submitted to a shareholders meeting.	Revision of wording
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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000326

To the Board of Directors and Shareholders of Mega Financial Holding Co., Ltd.

*Opinion*

We have audited the accompanying consolidated balance sheets of Mega Financial Holding Co., Ltd. and subsidiaries (collectively the “Mega Group”) as of December 31, 2019 and 2018, 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, 2019 and 2018, 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*

For the year ended December 31, 2019, we conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and generally accepted auditing standards in the Republic of China (ROC GAAS), for the year ended December 31, 2018, we conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants” and 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 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 judgement, 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, 2019 are addressed as follows:

### **Recognition and measurement of expected credit losses on loans discounted**

#### Description

The recognition and measurement of expected credit losses on loans discounted complies with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on loans discounted, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on loans discounted, please refer to Note 5(2). For information on gross loans discounted and allowance for bad debts, which amounted to \$ 1,903,261,265 thousand and \$ 29,583,431 thousand, respectively, as at December 31, 2019, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 8(3).

The subsidiary Mega International Commercial Bank Co., Ltd. ("MIBC") assesses the impairment of its loans discounted based on the expected credit loss model. At each financial reporting date, financial instruments are categorized into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (i.e. stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (i.e. stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and

subsequently calibrated according to forward-looking information.

The aforementioned recognition and measurement of expected credit losses on loans discounted use a complex model, which involves various assumptions, estimates, and judgements, as well as predictions and assessments of future economic conditions and credit behaviour of debtors. The amounts, recognised in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included recognition and measurement of expected credit losses on loans discounted as one of the key audit matters in our audit.

#### How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies and internal control system of loans discounted, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the approval process.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.
3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested probability of default, loss given default, exposure at default, and the discount rate.
  - (1) Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
  - (2) Sampled and tested whether the calculation method of the discount rate of loss given default is in accordance with existing policy.
5. Sampled and tested forward-looking information.
  - (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to measure expected credit losses under IFRS 9.



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- (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.

Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including debtor due period, financial and operational conditions, guarantees by external parties and historical data) adopted in the estimation of future cash flows.

### **Fair value measurement of unlisted stocks without an active market**

#### Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), please refer to Note 4(7) ; for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(1); for details on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, please refer to Notes 6(3) and (4). The fair values of unlisted stocks without an active market were classified as financial assets at fair value through profit or loss amounting to \$5,773,588 thousand and financial assets at fair value through other comprehensive income amounting to \$16,715,952 thousand as at December 31, 2019.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management uses the market approach and net asset approach to measure the fair value. The market approach is based on the fair value of comparable listed companies in similar industries or recently published price-to-book ratios of industries in which the valuation target operates, and incorporates discounting according to market liquidity or specified risk.

The aforementioned fair value measurement involves various assumptions and significant inputs that are not observable. This leads to estimates that are highly uncertain and rely on the subjective judgement of management. Any changes to the judgements and estimates will affect the final measurement results, and in turn affect the financial condition of the Mega Group. Thus, we have included the fair value measurement of unlisted stock without active market as one of the key audit matters in our audit.

#### How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies, internal control system, fair value measurement models; and approval process of the fair value measurement of stocks of unlisted companies.
2. Ascertained whether the measurement used by the management is commonly utilized by the industry.
3. Assessed the reasonableness of similar and comparable companies used by management.
4. Examined inputs and calculation formulas used in valuation methods and agreed such data to their supporting documents.

### **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(21)4 and (27); for critical accounting judgements, estimates, and assumption uncertainty of claims reserve (including ceded reserves), please refer to Note 5(4); for details on claims reserve (and ceded reserves), please refer to Note 6(27).

The subsidiary, Chung Kuo Insurance Co., Ltd (CKI)'s claims reserve (including ceded reserve) 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. As of December 31, 2019, subsidiary CKI's claims reserve and ceded claims reserve was \$3,481,888 thousand and \$1,692,166 thousand, respectively. Because the calculation method and assumptions for claims reserve involve the professional judgment of management, and because claims reserve is material to the financial statements, we have thus included the estimation of claims reserve and ceded claims reserve as a key audit matter 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. Obtained an understanding and assessed CKI's policies, internal controls and processing procedures for the calculation of the Company's claims reserves (included ceded reserves). Also, on a sampling basis tested the effectiveness of internal controls for provisions.



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2. Sampled and inspected whether there were differences between the numbers referred to claims reserves (including those prior to and after reinsurance) and carrying amount in order to confirm the accuracy and completeness.
3. Used the work of actuarial specialists to assist us in assessing the reasonableness of the claims reserves (including those prior to and after reinsurance). This included the following procedures:
  - (1) Sampled and inspected the reasonableness of method used in the estimation of claims reserves;
  - (2) Sampled and inspected how provision were calculated to ensure the accuracy of Company's contributed provision.
4. Sampled and inspected significant reported but not paid cases to assess the reasonableness of the estimated amount.

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

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with "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 Publicly Held Bill 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 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 judgement 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.
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.



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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.

*Chi, Shu-Mei*

Chi, Shu-Mei

*CS-Hsi*

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

The accompanying consolidated 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 consolidated 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 SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Assets						
11000	Cash and cash equivalents	6(1)	\$ 146,189,216	4	\$ 129,675,778	4
11500	Due from the Central Bank and call loans to banks	6(2) and 11	487,453,457	13	514,219,514	14
12000	Financial assets at fair value through profit or loss	6(3), 11 and 12	208,313,130	6	196,201,030	5
12150	Financial assets at fair value through other comprehensive income	6(4) and 12	536,232,599	15	421,176,553	12
12200	Investments in debt instruments at amortised cost	6(5) and 12	275,214,156	7	272,926,017	8
12500	Securities purchased under resell agreements		3,584,364	-	2,623,231	-
13000	Receivables, net	6(6)	99,308,276	3	92,723,255	3
13200	Current tax assets		483,744	-	272,816	-
13300	Assets classified as held for sale, net	6(8) and 12	276,900	-	328,350	-
13500	Loans discounted, net	6(7) and 11	1,873,677,834	51	1,864,447,103	53
13700	Reinsurance contract assets, net	6(9)(26)	3,984,617	-	3,854,464	-
15000	Investments accounted for using equity method, net	6(10)	3,115,829	-	3,168,973	-
15500	Other financial assets, net	6(11) and 12	7,418,321	-	5,112,210	-
18000	Investment property, net	6(14) and 12	1,025,375	-	1,500,403	-
18500	Property and equipment, net	6(15) and 12	22,080,894	1	21,973,422	1
18600	Right-of-use asset, net	6(12)	1,777,500	-	-	-
19000	Intangible assets, net		610,731	-	518,222	-
19300	Deferred income tax assets	6(41)	5,801,886	-	7,552,961	-
19500	Other assets, net	6(16) and 12	6,998,951	-	3,785,059	-
Total Assets			\$ 3,683,547,780	100	\$ 3,542,059,361	100

(Continued)

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Liabilities						
21000	Deposits from the Central Bank and banks	6(17) and 11	\$ 420,833,162	11	\$ 411,643,388	12
21500	Due to the Central Bank and banks	6(18)	21,161,321	1	53,920,881	2
22000	Financial liabilities at fair value through profit or loss	6(19)	22,115,709	1	27,357,462	1
22500	Securities sold under repurchase agreements	6(20)	259,192,262	7	252,298,265	7
22600	Commercial paper issued, net	6(21) and 11	19,963,897	1	15,929,662	-
23000	Payables	6(22)	75,207,489	2	66,362,081	2
23200	Current tax liabilities		9,149,946	-	9,319,314	-
23500	Deposits and remittances	6(23)	2,459,457,135	67	2,320,637,263	66
24000	Bonds payable	6(24)	12,000,000	-	13,300,000	-
24400	Other borrowings	6(25)	3,464,909	-	4,934,529	-
24600	Provisions	6(26)	28,110,114	1	26,977,832	1
25500	Other financial liabilities	6(27)	15,818,346	-	15,325,367	-
26000	Lease liabilities		1,801,315	-	-	-
29300	Deferred income tax liabilities	6(41)	3,164,054	-	2,526,612	-
29500	Other liabilities	6(28)	8,046,873	-	7,271,276	-
Total Liabilities			3,359,486,532	91	3,227,803,932	91
Stockholders' equity						
Equity attributable to owners of parent						
Capital						
31101	Common stock	6(29)	135,998,240	4	135,998,240	4
31500	Capital surplus	6(29)	68,194,233	2	68,194,233	2
Retained earnings						
32001	Legal reserve	6(29)	38,066,701	1	35,255,784	1
32003	Special reserve	6(29)	2,545,151	-	2,545,151	-
32011	Unappropriated earnings	6(30)	66,899,512	2	64,774,415	2
Other equity interest			6(31)			
32500	Other equity interest		12,357,411	-	7,474,457	-
39500	Non-controlling interests		-	-	13,149	-
Total Stockholders' equity			324,061,248	9	314,255,429	9
TOTAL LIABILITIES AND EQUITY			\$ 3,683,547,780	100	\$ 3,542,059,361	100

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

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31				Changes Percentage (%)	
		2019		2018			
Items	Notes	AMOUNT	%	AMOUNT	%		
41000	Interest income	6(32) and 11	\$ 71,681,244	110	\$ 68,345,796	111	5
51000	Less: interest expense	6(32) and 11	( 36,614,396)	( 56)	( 30,301,244)	( 49)	21
	Net interest revenue		35,066,848	54	38,044,552	62	( 8)
	Net revenue other than interest						
49800	Net service fee revenue and commissions	6(33)	9,236,835	14	9,710,363	16	( 5)
49810	Net insurance revenue		1,700,648	3	1,805,936	3	( 6)
49820	Gain on financial assets and liabilities at fair value through profit or loss	6(34) and 11	12,022,391	19	6,269,698	10	92
49825	Gain on investment property		91,876	-	18,121	-	407
49835	Realized gain on financial assets at fair value through other comprehensive income	6(4)(35)	3,427,508	5	1,567,007	3	119
49850	Gain arising from derecognition of financial assets measured at amortised cost	6(5)	( 4)	-	1,432	-	( 100)
49870	Foreign exchange gains		2,175,522	3	2,668,324	4	( 18)
49890	Share of profit of associates and joint ventures accounted for using equity method	6(10)	145,443	-	188,574	-	( 23)
49898	Gain on reclassification under the overlay approach	6(3)(31)	( 104,084)	-	111,585	-	( 193)
48000	Net other revenue other than interest income	6(37)	1,542,353	2	1,236,710	2	25
55000	Impairment losses on assets	6(36)	( 30,474)	-	( 12,895)	-	136
	Net revenue		65,274,862	100	61,609,407	100	6
58100	Bad debts expense, commitment and guarantee liability provision	6(9)(11) and 8(3)	( 687,183)	( 1)	( 1,996,406)	( 3)	( 66)
58300	Net change in provisions for insurance liabilities	6(26)	( 34,968)	-	68,884	-	( 151)
	Operating expenses						
58501	Employee benefit expenses	6(38)	( 19,538,641)	( 30)	( 18,096,204)	( 29)	8
58503	Depreciation and amortization expense	6(39)	( 1,456,326)	( 3)	( 845,876)	( 1)	72
58599	Other general and administrative expenses	6(40)	( 9,903,470)	( 15)	( 9,659,845)	( 16)	3
61000	Profit from continuing operations before tax		33,654,274	51	31,079,960	51	8
61003	Income tax expense	6(41)	( 4,699,474)	( 7)	( 2,986,515)	( 5)	57
69000	Profit		\$ 28,954,800	44	\$ 28,093,445	46	3

(Continued)

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

		Year ended December 31				Changes Percentage (%)		
Items	Notes	2019		2018				
		AMOUNT	%	AMOUNT	%			
<b>Other comprehensive income</b>								
<b>Components of other comprehensive income that will not be reclassified to profit or loss, net of tax</b>								
69561	Loss on remeasurement of defined benefit plans	( \$	934,867) (	1) ( \$	844,542) (	1)	11	
69563	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		1,493	- (	2,634)	- (	157)	
69567	Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	6(4)(31)	1,921,689	3	462,883	1	315	
69569	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(41)	187,272	-	345,487	- (	46)	
<b>Components of other comprehensive income that will not be reclassified to profit or loss, net of tax</b>								
69571	Exchange differences on translation	6(31)	(	809,797) (	1)	1,148,351	2 (	171)
69575	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(10)(31)		23,110	- (	35,210)	- (	166)
69585	Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(31)	3,973,149	6 (	1,666,858) (	3) (	338)	
69587	Impairment loss (reversal of impairment loss) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(31)	29,568	- (	34,947)	- (	185)	
69590	Other comprehensive income (losses) on reclassification under the overlay approach	6(3)(31)	104,084	- (	111,585)	- (	193)	
69579	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)(41)	(	513,276) (	1)	331,559	- (	255)
69500	<b>Other comprehensive income</b>		<u>\$ 3,982,425</u>	<u>6</u>	<u>(\$ 407,496)</u>	<u>( 1)</u>	<u>(</u>	<u>1077)</u>
69700	<b>Total comprehensive income</b>		<u>\$ 32,937,225</u>	<u>50</u>	<u>\$ 27,685,949</u>	<u>45</u>		<u>19</u>
<b>Profit (loss) attributable to:</b>								
69901	Owners of parent		\$ 28,956,244	44	\$ 28,109,164	46		3
69903	Non-controlling interests		( 1,444)	-	( 15,719)	- (		91)
			<u>\$ 28,954,800</u>	<u>44</u>	<u>\$ 28,093,445</u>	<u>46</u>		<u>3</u>
<b>Comprehensive income (loss) attributable to:</b>								
69951	Owners of parent		\$ 32,938,669	50	\$ 27,701,668	45		19
69953	Non-controlling interests		( 1,444)	-	( 15,719)	- (		91)
			<u>\$ 32,937,225</u>	<u>50</u>	<u>\$ 27,685,949</u>	<u>45</u>		<u>19</u>
<b>Earnings per share</b>								
70000	Basic and diluted earnings per share (in dollars)	6(42)	\$	2.13	\$	2.07		

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

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

Notes	Share capital – common stock	Equity attributable to owners of the parent									Non-controlling interests	Total equity
		Retained Earnings			Other equity interest							
		Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Available-for-sale assets unrealized gain or loss	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Reserve of overlay approach	Other equity, others		
For the year ended December 31, 2018												
	\$ 135,998,240	\$ 68,194,233	\$ 32,682,332	\$ 3,004,318	\$ 59,182,128	(\$ 2,753,357)	\$ 1,746,239	\$ -	\$ -	\$ 298,054,133	\$ 41,429	\$ 298,095,562
					755,917	-	(1,746,239)	9,902,554	8,911	(34,928)	(12,561)	8,873,654
	135,998,240	68,194,233	32,682,332	3,004,318	59,938,045	(2,753,357)	-	9,902,554	8,911	(34,928)	28,868	306,969,216
6(31)	-	-	-	-	28,109,164	-	-	-	-	-	(15,719)	28,093,445
	-	-	-	-	(499,055)	1,152,878	-	(929,483)	(111,088)	(20,748)	-	(407,496)
6(30)	-	-	-	-	27,610,109	1,152,878	-	(929,483)	(111,088)	(20,748)	(15,719)	27,685,949
	-	-	2,573,452	-	(2,573,452)	-	-	-	-	-	-	-
	-	-	-	(459,167)	459,167	-	-	-	-	-	-	-
6(4)	-	-	-	-	(20,399,736)	-	-	-	-	(20,399,736)	-	(20,399,736)
	-	-	-	-	(259,718)	-	-	259,718	-	-	-	-
	135,998,240	68,194,233	35,255,784	2,545,151	64,774,415	(\$ 1,600,479)	\$ -	\$ 9,232,789	(\$ 102,177)	(\$ 55,676)	\$ 13,149	\$ 314,255,429
For the year ended December 31, 2019												
	\$ 135,998,240	\$ 68,194,233	\$ 35,255,784	\$ 2,545,151	\$ 64,774,415	(\$ 1,600,479)	\$ -	\$ 9,232,789	(\$ 102,177)	(\$ 55,676)	\$ 13,149	\$ 314,255,429
	-	-	-	-	28,956,244	-	-	-	-	-	(1,444)	28,954,800
6(31)	-	-	-	-	(747,595)	(813,101)	-	5,413,454	104,084	25,583	-	3,982,425
	-	-	-	-	28,208,649	(813,101)	-	5,413,454	104,084	25,583	(1,444)	32,937,225
6(30)	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	2,810,917	-	(2,810,917)	-	-	-	-	-	-	-
	-	-	-	-	(23,119,701)	-	-	-	-	(23,119,701)	-	(23,119,701)
6(4)	-	-	-	-	(152,934)	-	-	152,934	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	135,998,240	68,194,233	38,066,701	2,545,151	66,899,512	(\$ 2,413,580)	\$ -	\$ 14,799,177	\$ 1,907	(\$ 30,093)	\$ -	\$ 324,061,248

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

**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

		For the year ended December 31	
	Notes	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 33,654,274	\$ 31,079,960
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(39)	1,384,068	767,974
Amortization expense	6(39)	72,258	77,902
Bad debts expense and guarantee liability provision		687,183	1,996,406
Interest expense	6(32)(34)	37,616,720	31,079,431
Interest income	6(32)(34)	( 73,790,790 )	( 70,271,695 )
Dividend income	6(34)(35)	( 1,896,440 )	( 1,859,861 )
Net change in provisions for insurance liabilities		34,968	( 68,884 )
Impairment losses on assets	6(36)	30,474	12,895
(Gain) loss on disposal of property and equipment		( 35 )	2,388
Gain on disposal of investment property		( 81,179 )	( 254 )
Gain on disposal of assets classified as held for sale	6(8)	( 55,980 )	-
Share of profit of associates accounted for using equity method		( 145,443 )	( 188,574 )
Loss (profit) reclassified by applying overlay approach	6(3)	104,084	( 111,585 )
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in due from Central Bank and call loans to other banks		19,115,755	17,384,939
(Increase) decrease in financial assets at fair value through profit or loss	(	12,112,100 )	8,615,222
Increase in financial assets at fair value through other comprehensive income	(	109,190,792 )	( 18,771,899 )
(Increase) decrease in investments in debt instruments measured at amortised cost	(	2,297,550 )	52,215,093
(Increase) decrease in receivables	(	6,998,218 )	3,978,979
Increase in assets classified as held for sale		-	328,350
Increase in discounts and loans	(	10,377,993 )	( 104,663,089 )
Increase in reinsurance contract assets	(	130,153 )	( 299,010 )
Increase in other financial assets	(	2,256,431 )	( 1,761,601 )
(Increase) decrease in other assets	(	3,615,295 )	825,877
Changes in operating liabilities			
Increase in deposits from the Central Bank and banks		9,189,774	11,096,323
(Decrease) increase in financial liabilities at fair value through profit or loss	(	5,241,753 )	17,390,683
Increase in bills and bonds purchased under resale agreements		6,893,997	14,591,836
Increase (decrease) in payables		6,073,690	( 8,169,400 )
Increase (decrease) in deposits and remittances		138,819,872	( 65,917,753 )
Increase in other financial liabilities		492,979	2,626,897
Increase in liabilities reserve		427,476	464,646
Increase (decrease) in other liabilities		621,512	( 358,454 )
Cash inflow (outflow) generated from operations		27,028,932	( 78,562,958 )
Interest received		74,397,322	69,534,587
Cash dividend received		2,044,738	2,026,120
Interest paid	(	37,230,691 )	( 30,023,083 )
Income tax paid	(	2,503,981 )	( 1,594,240 )
Net cash flows from (used in) operating activities		63,736,320	38,619,574

(Continued)



**MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

		For the year ended December 31	
	Notes	2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property and equipment		( \$ 876,055 )	( \$ 748,867 )
Proceeds from disposal of property and equipment		774	38,583
Acquisition of intangible assets		( 461,912 )	( 378,793 )
Acquisition of investment property		( 549 )	( 148,235 )
Proceeds from disposal of investment property		481,990	1,621
Proceeds from disposal of assets classified as held for sale	6(8)	110,050	-
Proceeds from capital reduction of liquidation		75,754	-
Net cash flows used in investing activities		( 669,948 )	( 1,235,691 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) increase in due to the Central Bank and banks	6(18)	( 32,759,560 )	20,463,321
Increase (decrease) in commercial papers payable	6(21)	4,038,000	( 4,231,000 )
Repayments of bank notes payable	6(24)	( 1,300,000 )	( 12,600,000 )
Repayments of bonds		-	( 16,700 )
(Decrease) increase in other borrowings	6(25)	( 1,469,620 )	3,609,161
Increase in guarantee deposits received	6(28)	152,040	316,628
Cash dividends paid	6(30)	( 20,737,777 )	( 18,739,395 )
Payment of lease liabilities	6(12)	( 557,437 )	-
Changes in non-controlling interests	4(3)	( 11,705 )	-
Net cash flows used in financing activities		( 52,646,059 )	( 11,197,985 )
Effect of exchange rate changes on cash and cash equivalents		( 581,672 )	1,336,024
Net increase (decrease) in cash and cash equivalents		9,838,641	( 49,717,226 )
Cash and cash equivalents at beginning of year		487,159,503	536,876,729
Cash and cash equivalents at end of year		\$ 496,998,144	\$ 487,159,503
<b>The components of cash and cash equivalents</b>			
Cash and cash equivalents reported in the statement of financial position		\$ 146,189,216	\$ 129,675,778
Due from central bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	6(2)	347,224,564	354,860,494
Investments in bills and bonds under resale agreements qualified as cash and cash equivalents as defined by IAS 7		3,584,364	2,623,231
Cash and cash equivalents at end of reporting period		\$ 496,998,144	\$ 487,159,503

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

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

ASSETS	December 31, 2019	December 31, 2018	%	LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018	%
<b>Assets</b>				<b>Liabilities</b>			
Cash and cash equivalents	\$ 87,474	\$ 152,693	( 42.71)	Commercial paper payable, net	\$ 13,338,100	\$ 13,007,338	2.54
Financial assets at fair value through profit or loss	-	203,062	( 100.00)	Payables	23,220,100	21,285,593	9.09
Financial assets at fair value through other comprehensive income	2,687,373	2,154,580	24.73	Current tax liabilities	1,256,310	980,678	28.11
Current tax assets	1,582,395	1,259,321	25.65	Other loans	1,400,000	-	100.00
Investments accounted for	358,254,779	345,071,763	3.82	Provisions	74,076	61,801	19.86
Using equity method, net	100	100	-	Lease liabilities	3,278	-	100.00
Other financial assets, net	132,593	134,104	( 1.13)	Other liabilities	4,189	7,271	( 42.39)
Investment property	593,195	595,986	( 0.47)	Total liabilities	39,296,053	35,342,681	
Property and equipment, net	3,267	-	100.00	Equity			
Right-of-use assets, net	9,651	4,734	103.87	Common stock	135,998,240	135,998,240	-
Deferred income tax assets	6,474	8,618	( 24.88)	Capital surplus	68,194,233	68,194,233	-
Other assets, net				Retained earnings			
				Legal reserve	38,066,701	35,255,784	7.97
				Special reserve	2,545,151	2,545,151	-
				Unappropriated earnings	66,899,512	64,774,415	3.28
				Other equity interest	12,357,411	7,474,457	65.33
				Total equity	324,061,248	314,242,280	
<b>TOTAL ASSETS</b>	<b>\$ 363,357,301</b>	<b>\$ 349,584,961</b>	<b>3.94</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 363,357,301</b>	<b>\$ 349,584,961</b>	<b>3.94</b>

MEGA FINANCIAL HOLDING CO., LTD.  
STATEMENTS OF COMPREHENSIVE INCOME

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenues		
Interest income	\$ 4,166	\$ 843
Gain on financial assets and liabilities at fair value through loss or profit	49,327	140,548
Share of profit of associates and joint ventures accounted for using equity method	29,345,776	27,913,508
Other revenue other than interest income	105,097	114,583
Total revenue	<u>29,504,366</u>	<u>28,169,482</u>
Expenses and losses		
Interest expense	( 60,928)	( 61,997)
Foreign exchange loss	( 9)	( 5)
Employee benefit expenses	( 330,824)	( 310,085)
Depreciation and amortization expenses	( 14,686)	( 11,874)
Other general and administrative expenses	( 66,926)	( 62,493)
Total expenses and losses	<u>( 473,373)</u>	<u>( 446,454)</u>
Profit from continuing operations before tax	29,030,993	27,723,028
Income tax (expense) benefit	( 74,749)	386,136
Profit	<u>28,956,244</u>	<u>28,109,164</u>
Other comprehensive income		
Non-reclassifiable to profit or loss subsequently		
Loss on remeasurement of defined benefit plans	( 24,583)	( 2,714)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	661,026	( 472,247)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	532,793	435,649
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	4,917	507
Share of other comprehensive income of associates and joint ventures accounted for using equity method	<u>2,808,272</u>	<u>( 368,691)</u>
Other comprehensive income	<u>3,982,425</u>	<u>( 407,496)</u>
Total comprehensive income	<u>\$ 32,938,669</u>	<u>\$ 27,701,668</u>
Earnings Per Share (in dollars)		
Basic and Diluted Earnings Per Share (in dollars)	<u>\$ 2.13</u>	<u>\$ 2.07</u>

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

	Retained earnings					Other equity interest					
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statement	Unrealized gain or loss on available-for-sale financial assets	Unrealized gain or loss on financial assets at fair value through other comprehensive income	Reserve of overlay approach	Other equity- other	Total
For the year ended December 31, 2018											
Equity at beginning of year	\$ 135,998,240	\$ 68,194,233	\$ 32,682,332	\$ 3,004,318	\$ 59,182,128	\$ 2,753,357	\$ 1,746,239	\$ -	\$ -	\$ -	\$ 298,054,133
Effects of retrospective application and retrospective restatement	-	-	-	-	755,917	-	( 1,746,239)	9,902,554	8,911	( 34,928)	8,886,215
Equity at beginning of period after adjustments	135,998,240	68,194,233	32,682,332	3,004,318	59,938,045	( 2,753,357)	-	9,902,554	8,911	( 34,928)	306,940,348
Profit	-	-	-	-	28,109,164	-	-	-	-	-	28,109,164
Other comprehensive income (loss)	-	-	-	-	( 499,055)	1,152,878	-	( 929,483)	( 111,088)	( 20,748)	( 407,496)
Total comprehensive income (loss)	-	-	-	-	27,610,109	1,152,878	-	( 929,483)	( 111,088)	( 20,748)	27,701,668
Earnings distribution for 2017											
Legal reserve	-	-	2,573,452	-	( 2,573,452)	-	-	-	-	-	-
Special reserve	-	-	-	( 459,167)	459,167	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 20,399,736)	-	-	-	-	( 20,399,736)	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	( 259,718)	-	-	259,718	-	-	-
Equity at end of year	\$ 135,998,240	\$ 68,194,233	\$ 35,255,784	\$ 2,545,151	\$ 64,774,415	\$ 1,600,479	\$ -	\$ 9,232,789	\$ 102,177	\$ 55,676	\$ 314,242,280
For the year ended December 31, 2019											
Equity at beginning of year	\$ 135,998,240	\$ 68,194,233	\$ 35,255,784	\$ 2,545,151	\$ 64,774,415	\$ 1,600,479	\$ -	\$ 9,232,789	\$ 102,177	\$ 55,676	\$ 314,242,280
Profit	-	-	-	-	28,956,244	-	-	-	-	-	28,956,244
Other comprehensive income	-	-	-	-	( 747,595)	( 813,101)	-	5,413,454	104,084	25,583	3,982,425
Total comprehensive income	-	-	-	-	28,208,649	( 813,101)	-	5,413,454	104,084	25,583	32,938,669
Earnings distribution for 2018											
Legal reserve	-	-	2,810,917	-	( 2,810,917)	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 23,119,701)	-	-	-	-	( 23,119,701)	-
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	( 152,934)	-	-	152,934	-	-	-
Equity at end of year	\$ 135,998,240	\$ 68,194,233	\$ 38,066,701	\$ 2,545,151	\$ 66,899,512	\$ 2,413,580	\$ -	\$ 14,799,177	\$ 1,907	\$ 30,093	\$ 324,061,248

**MEGA FINANCIAL HOLDING CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the year ended December 31, 2019	For the year ended December 31, 2018
<b>Cash Flows from Operating Activities</b>		
Profit before tax	\$ 29,030,993	\$ 27,723,028
Income and expenses having no effect on cash flows		
Income and expenses		
Depreciation expense	12,776	10,063
Amortization expense	1,910	1,811
Interest expense	60,928	61,997
Interest revenue	( 4,166)	( 843)
Dividend income	( 98,569)	( 110,565)
Gain on financial liabilities at fair value through profit or loss	-	( 140,548)
Gain on financial assets and liabilities at fair value through profit or loss	( 49,327)	-
Share of profit of associates accounted for using equity method	( 29,345,776)	( 27,913,508)
Changes in operating assets and liabilities		
Changes in operating assets:		
Decrease in financial assets at fair value through profit or loss	252,389	178,159
Decrease in receivables	-	389
Decrease in other assets	2,210	2,342
Changes in operating liabilities:		
Increase in payables	694,369	1,320,166
Decrease in provisions for liabilities	( 7,391)	( 2,929)
(Decrease) increase in other liabilities	( 3,082)	936
Cash flows generated from operations	547,264	1,130,498
Interest received	4,166	843
Cash dividend received	19,730,626	16,018,131
Interest paid	( 60,139)	( 50,611)
Income tax paid	( 1,268,893)	( 1,104,292)
Net cash flows from operating activities	18,953,024	15,994,569
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	( 6,927)	( 9,509)
Acquisition of intangible assets	( 1,976)	( 4,105)
Net cash flows from investing activities	( 8,903)	( 13,614)
<b>Cash Flows from Financing Activities</b>		
Increase in commercial papers issued	330,000	2,620,000
Increase in other loans	1,400,000	-
Decrease in bonds payable	-	( 16,700)
Payment of lease liabilities	( 1,563)	-
Cash dividends paid	( 20,737,777)	( 18,739,395)
Net cash flows from financing activities	( 19,009,340)	( 16,136,095)
Net decrease in cash and cash equivalents	( 65,219)	( 155,140)
Cash and cash equivalents at beginning of year	152,693	307,833
Cash and cash equivalents at end of year	\$ 87,474	\$ 152,693

## Attachment 5

## Mega Financial Holding Co., Ltd.

## Earnings Distribution Table

Year 2019

Unit : NT\$

Items	Amount
Beginning undistributed retained earnings in 2019	38,843,797,170
Add: Reverse of special reserve for first-time adoption of TIFRS	6,199,476
Less: Retained earnings due to re-measurements of defined benefit plans	(747,595,351)
Less: Loss on disposal of investments in equity instruments measured at fair value through other comprehensive income	(152,934,139)
Adjusted retained earnings	37,949,467,156
Add: Net profit after income tax of 2019	28,956,244,447
Less: 10% legal reserve	(2,895,624,445)
Total distributable earnings	64,010,087,158
Less: Distribution item	
Cash dividend to shareholders(NT\$1.7 per share)	(23,119,700,771)
Unappropriated retained earnings	40,890,386,387
Note1: The 2019 earnings shall be distributed as a priority.	
Note2: 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.	

## Attachment 6

### Mega Financial Holding Company Limited The Comparison Table of Amended Rules of Procedures of Shareholders' Meetings

Amended Article	Original Article	Explanation
<p><b>Article 5</b></p> <p>If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.</p> <p>If a shareholders' meeting is convened by any person, other than the board of directors, entitled to convene the meeting, such person or the person elected from among the convening persons shall chair the meeting.</p> <p>It is advisable that this Company's shareholders' meetings convened by the board of directors will be attended by a majority of the directors <u>in person</u>. <u>The attendance shall be recorded in the meeting minutes.</u></p> <p>This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.</p>	<p><b>Article 5</b></p> <p>If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.</p> <p>If a shareholders' meeting is convened by any person, other than the board of directors, entitled to convene the meeting, such person or the person elected from among the convening persons shall chair the meeting.</p> <p>It is advisable that this Company's shareholders' meetings convened by the board of directors be attended by a majority of the directors.</p> <p>This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.</p>	<p>In addition to revision of wording, the revision is made to specify that attendance of directors shall be recorded in the meeting minutes.</p>

<p><b>Article 6</b></p> <p>Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated based on the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronic transmission.</p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the <u>attending shareholders do not constituted a majority of all issued shares</u> after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.</p> <p>If the attending shareholders have constituted a majority of all issued shares by the end of the meeting, the chair may resubmit the tentative resolution for approval pursuant to Article 174 of the Company Act.</p>	<p><b>Article 6</b></p> <p>Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated based on the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronic transmission.</p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.</p> <p>If the attending shareholders have constituted a majority of all issued shares by the end of the meeting, the chair may resubmit the tentative resolution for approval pursuant to Article 174 of the Company Act.</p>	<p>Revision of wording</p>
<p><b>Article 10</b></p> <p>Except as otherwise provided by laws and regulations, a resolution</p>	<p><b>Article 10</b></p> <p>Except as otherwise provided by laws and regulations, a resolution</p>	<p>To enhance corporate governance, it is newly added that each</p>



<p>of a shareholders' meeting shall be adopted by the majority vote represented at the meeting. <u>At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</u></p> <p>If the same agenda has an amended or substitute agenda, the chair shall decide the sequence of voting for such agenda; provided that if any one of them has been approved, the others shall be deemed vetoed and no further voting will be required.</p>	<p>of a shareholders' meeting shall be adopted by the majority vote represented at the meeting. Upon voting for resolution on a proposal, if no opposition is expressed by any of the shareholders present at the meeting in response to the chairperson's invitation for opinion on that proposal, and no shareholders express opposition or waive the rights by electronic or correspondence means, the resolution shall be deemed adopted unanimously and will function just as one adopted by voting.</p> <p>If the same agenda has an amended or substitute agenda, the chair shall decide the sequence of voting for such agenda; provided that if any one of them has been approved, the others shall be deemed vetoed and no further voting will be required.</p>	<p>proposal shall be voted by a poll of the shareholders and the results of the poll shall be published on the MOPS.</p>
<p><b>Article 11</b></p> <p>Voting at a shareholders' meeting shall be calculated based on the number of shares.</p> <p><u>With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.</u></p> <p>A shareholder shall be entitled to one vote for each share held, <u>except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</u> Except for trust enterprises or a shareholder</p>	<p><b>Article 11</b></p> <p>Voting at a shareholders' meeting shall be calculated based on the number of shares.</p> <p>A shareholder shall be entitled to one vote for each share held. Except for trust enterprises or a shareholder services agent approved by the competent securities authority, the proxy right of a person who acts as the proxy</p>	<p>1. Pursuant to paragraph 2 of Article 12 of the Sample Template of the Rules of Shareholders' Meeting promulgated by Taiwan Stock Exchange Corp., paragraph 2 of this Article is newly added, expressly specifying that the number of shares held by a shareholder with</p>

<p>services agent approved by the competent securities authority, the proxy right of a person who acts as the proxy for two or more shareholders shall not exceed 3 percent of the total issued voting shares of this Company. If that percentage is exceeded, the excess portion of voting rights shall not be counted.</p> <p>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder, unless otherwise provided by laws or regulations.</p> <p><u>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</u></p>	<p>for two or more shareholders shall not exceed 3 percent of the total issued voting shares of this Company. If that percentage is exceeded, the excess portion of voting rights shall not be counted.</p> <p>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder, unless otherwise provided by laws or regulations.</p>	<p>no voting rights shall not be calculated as part of the total number of issued shares. The original paragraphs 2 and 3 are moved to paragraphs 3 and 4.</p> <ol style="list-style-type: none"> <li>2. In accordance with paragraph 1 of Article 13 of the aforesaid Sample Template, revision is made to add the proviso to the statement that each share held has one vote, in the original paragraph 2.</li> <li>3. Revision of wording is made in the original paragraph 3.</li> <li>4. Pursuant to paragraph 4 of Article 13 of the aforesaid Sample Template, revision is made to expressly specify that the voting rights recused due to conflict of interest shall not be calculated as part of the voting rights represented by attending</li> </ol>
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		shareholders.
<p><b>Article 15</b></p> <p>This Company, <u>beginning from the time it accepts shareholder attendance registrations, shall make an audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.</u> The recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p>	<p><b>Article 15</b></p> <p>This Company shall make an audio and video recording of the proceedings of the shareholders' meeting. The recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p>	<p>Pursuant to Article 8 of the aforesaid Sample Template, it is newly added that the audio and video recording of proceeding of shareholders' meeting shall be made from beginning of the registration procedure of the shareholders' meeting.</p>
<p><b>Article 18</b></p> <p>These Rules <u>shall enter into force after adoption by shareholders' meetings. The same shall apply in case of amendment or revocation.</u></p>	<p><b>Article 18</b></p> <p>These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.</p>	<p>It is newly added that revocation of these Rules shall also be submitted to the shareholders' meeting.</p>

## Attachment 7

### Mega Financial Holding Company Limited

#### The Comparison Table of Amended Rules For Election of Directors

Amended Article	Original Article	Explanation
<b>Article 1 (Purpose and Basis)</b> <u>To ensure a just, fair, and open election of directors, these Rules are adopted pursuant to the “Corporate Governance Best-Practice Principles for Financial Holding Companies”.</u>	<b>Article 1</b> The Company’s directors shall be elected in accordance with the Rules.	1. Essentials of this Article are added. 2. Pursuant to Article 1 of “Sample Template for XXX Co., Ltd. Procedures for Election of Directors and Supervisors” formulated by the Taiwan Stock Exchange Corp.”(hereinafter referred to as Sample Template), the purpose and basis of these Rules are added.
<b>Article 2 (Responsible Unit)</b> <u>The agenda working group for board meeting is responsible for maintenance of these Rules.</u>		This article is newly added to specify the unit responsible for the maintenance of these Rules.
<b>Article 3 (Applicaction Scope)</b> <u>Unless otherwise provided for by laws and regulations, or by the Company’s Articles of Incorporation, elections of directors shall be conducted in accordance with these Rules.</u>		This article is newly added to specify the scope of these Rules pursuant to the Article 2 of the Sample Template.
<b>Article 4 (Number of Directors)</b> The number of directors of the Company is specified in the Company’s Articles of	<b>Article 2</b> The number of directors of the Company is specified in the Company’s Articles of	The sequence number of this Article is adjusted and essentials of this Article are added.

<p>Incorporation and shall be determined by the resolution of the board of directors.</p>	<p>Incorporation and shall be determined by the resolution of the board of directors.</p>	
<p><b><u>Article 5 (Election and By-election of Directors)</u></b></p> <p><u>Elections of directors at this Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</u></p> <p>Shareholders shall elect the directors from among the nominees listed in the roster of director candidates.</p> <p><u>When the number of directors falls below five due to the dismissal of a director for any reason, this Company shall hold a by-election to fill the vacancy at its next shareholders meeting.</u></p> <p><u>When the number of directors falls short by one third of the total number prescribed in this Company's articles of incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</u></p> <p><u>When the number of independent directors falls below that required by laws and regulations, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special</u></p>	<p><b><u>Article 3</u></b></p> <p><u>Starting from 2013, the Company's directors shall be elected by means of the candidate nomination system.</u></p> <p>The shareholders shall elect the directors from among the nominees listed in the roster of director candidates.</p> <p><u>When the candidate nomination system is adopted, the Company shall, prior to the share transfer suspension date dedicated before the meeting date of a shareholders' meeting, announce in a public notice, the period for accepting the nomination of director candidates, the quota of directors to be elected, the place designated for accepting the roster of director candidates nominated, and other necessary matters according to the applicable laws.</u></p>	<ol style="list-style-type: none"> <li>1. The sequence number of this Article is adjusted and essentials of this Article are added.</li> <li>2. As the candidate nomination system has been implemented for more than 2 terms starting from 2013, the relevant wording in paragraph 1 of this Article is deleted, while the residual specification is merged into paragraph 1 of this revised Article.</li> <li>3. The nomination announcement set out in paragraph 2 of this Article is deleted as it has been expressly specified in Article 192-1 of the Company Act.</li> <li>4. Pursuant to the Company Act and the Sample Template, Paragraphs 2 and 3 of this Article regarding by-election of directors and independent directors are added.</li> </ol>

<p><u>shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</u></p>		
<p><b><u>Article 6 (Required Qualification of Directors)</u></b></p> <p><u>The Company’s directors shall have good moral character and must not be in any of situations as stipulated in Article 30 of the Company Act and subparagraphs of Article 3 of “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company”.</u></p> <p><u>Besides complying with the preceding paragraph, qualification of independent directors shall meet the requirements prescribed by the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.</u></p> <p><u>When providing a recommended roster of independent director candidates, the board of directors or shareholders holding one per cent or more of total number of the outstanding shares of the Company shall submit therewith documentation that the nominees meet the requirements of</u></p>		<ol style="list-style-type: none"> <li>1. This Article is newly added.</li> <li>2. To enhance the effectiveness of nomination procedure by shareholders or the board of directors, qualification requirements for directors and independent directors are specified in paragraphs 1 and 2.</li> <li>3. To review the legality of the professional qualification, independence and concurrent serving restrictions of the independent directors nominees, documentation required for nomination of independent directors are expressly specified in paragraph 3 of this Article. Provided that the independent director candidate so nominated is a professor of college or university, an approval from the school shall be attached pursuant to the letter dated January</li> </ol>

<p><u>professional qualification, independence and concurrent serving restrictions as required by laws and regulations. Provided that the director candidate so nominated is a professor of college or university, an approval from the school shall be attached as well.</u></p> <p><u>The Board of Directors of the Company shall review in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in the preceding three paragraphs, but may not arbitrarily add requirements for documentation of other qualifications.</u></p>		<p>15, 2020 with reference number of Jin- Zheng-Guan-Fa-Zi No. 10803619347 issued by the Ministry of Education.</p> <p>4. Pursuant to Article 5 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, it is specified in paragraph 4 of this Article that the board of directors shall review the qualifications of each independent director nominee.</p>
<p><b><u>Article 7 (Overall Qualification and Structure Restriction for the Board)</u></b></p> <p><u>All board members shall comply with the qualification requirement of paragraphs 1 to 3 and paragraph 9 of Article 9 of the “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company”.</u></p> <p><u>More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second</u></p>	<p><b><u>Article 5</u></b></p> <p>The candidates receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.</p>	<p>1. This Article is newly added.</p> <p>2. To ensure that the number of professional directors meet the requirement of Article 9 of “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company”,</p>

<p><u>degree of kinship with any other director.</u></p> <p><u>When there are some among the directors who do not meet the requirement of the preceding paragraph, the election of the director receiving the lowest number of votes among those not meeting the conditions shall be deemed invalid.</u></p>		<p>paragraph 1 of this Article is added.</p> <p>3. Pursuant to Article 26-3 of the Securities and Exchange Act, restrictions on directors' relationship to each other are clearly specified in paragraphs 2 and 3 of this Article to enhance the function of the board of directors.</p>
<p><b><u>Article 8 (Election Method)</u></b></p> <p>The Company's directors shall be duly elected by means of accumulated balloting system. Each share is entitled to voting rights <u>in number equal</u> to the number of directors to be elected. Such voting right may be cast for a single candidate or split among several candidates.</p> <p>The independent directors and non-independent directors shall be elected at the same time, with voting rights separately calculated for independent and non-independent director position. <u>Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes.</u></p> <p><u>When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner.</u></p>	<p><b><u>Article 4</u></b></p> <p>The Company's directors shall be duly elected by means of <u>the single registered form</u> accumulated balloting system. Each share is entitled to voting rights equivalent to the number of directors to be elected. Such voting right may be cast for a single candidate or split among several candidates.</p> <p>The independent directors and non-independent directors shall be elected at the same time, with voting rights separately calculated for independent and non-independent director position. The independent directors shall be duly elected in accordance with the "Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies" <u>and the laws and ordinances concerned.</u></p>	<p>1. The sequence number of this Article is adjusted and essentials of this Article are added.</p> <p>2. Pursuant to the letter dated June 17, 2013 with reference No. of Jing-Shang-Zi-10202067100 and the letter dated September 30, 2013 with reference No. of Jing-Shang-Zi-1020211176 issued by Ministry of Economic Affairs, the ballot prepared by companies shall not strictly limited to single registered form. The specification on single registered form in paragraph 1 of this Article is deleted accordingly.</p> <p>3. The original Article 5</p>



<p><u>with the chair drawing lots on behalf of any person not in attendance.</u></p> <p>The independent directors shall be duly elected in accordance with the “Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies”, <u>“Corporate Governance Best-Practice Principles for Financial Holding Companies”</u> and the relevant requirements by <u>the competent authority.</u></p>		<p>is merged into paragraph 2 of this Article with rewording.</p> <p>4. Pursuant to Article 5 of the Sample Template, the paragraph 2 of this original article is amended to specify election of independent directors and moved to paragraph 3 of this Article.</p>
	<p><b><u>Article 5</u></b></p> <p><u>The candidates receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.</u></p>	<p>This article is deleted as the content is merged into paragraph 2 of Article 8.</p>
<p><b><u>Article 9 (Preparation of Ballots)</u></b></p> <p>The ballots shall be prepared by the Board of Directors <u>and the format, contents and particulars to be filled in of the ballots shall be determined by the Board of Directors of the Company.</u> Shareholders are not allowed to <u>augment, delete or alter the</u></p>	<p><b><u>Article 6</u></b></p> <p>The ballots shall be prepared by the Board of Directors <u>and shall specify the number of each shareholder’s voting rights and the number of the attendance card, and be affixed with the seal of the board of directors.</u></p>	<p>1. The sequence number of this Article is adjusted and essentials of this Article are added.</p> <p>2. To keep the flexibility of the format and contents of the ballots, some wording is revised</p>

<p><u>ballots. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</u></p> <p><u>The ballots must be cast into the ballot box designated by the chair.</u></p>		<p>3. The paragraph 2 is added to specify that ballots must be cast into the ballot box.</p>
<p><b><u>Article 10 (Ballot Counting and Vote Monitoring Personnel)</u></b></p> <p>Before the election commences, the chair shall designate several ballot counting personnel, and <u>vote monitoring personnel</u> with shareholder status <u>to perform their respective duties.</u></p> <p><u>The ballot box for the election shall be prepared by the Board of Directors and inspected by the vote monitoring personnel publicly prior to the voting.</u></p>	<p><b><u>Article 7</u></b></p> <p>Before the election commences, the chair shall designate several <u>supervisors</u> with shareholder status, and several ballot counting personnel.</p>	<p>1. The sequence number of this Article is adjusted and essentials of this Article are added.</p> <p>2. The original Article 8 is moved to paragraph 2 of this Article with wording revision.</p>
	<p><b><u>Article 8</u></b></p> <p><u>The ballot box for the election shall be prepared by the Board of Directors and inspected by the scrutinizers publicly prior to the voting.</u></p>	<p>Pursuant to Article 10 of the Sample Template, this Article is moved to paragraph 2 of Article 10.</p>
<p><b><u>Article 11 (Method for Filling in the Ballot)</u></b></p> <p><u>Voters shall enter the account name or name of candidates, listed in the roster of director candidates, in the “candidate” column of the ballot. If the name of the candidate entered in the ballot is identical to that of another candidate, the voter</u></p>	<p><b><u>Article 9</u></b></p> <p><u>If the candidate is a shareholder, electors shall enter the candidate’s account name and shareholder account number in the “candidate” column of the ballot; for a non-shareholder, the voter shall enter the candidate’s name and ID number.</u></p>	<p>1. The sequence number of this Article is adjusted and essentials of this Article are added.</p> <p>2. As the candidate nomination system is adopted for election of board of directors, voters shall elect</p>

<p><u>should additionally fill in the sequence number of the candidate provided in the roster of director candidates to identify such individual.</u></p> <p><u>According to the ballot format, the sum of voting right filled by voter himself/herself in the ballot shall not exceed the shareholder's voting right. If the sum of voting right filled in the ballot is less than the shareholder's voting right, the remaining voting right shall be deemed abstained.</u></p>	<p><u>Where the candidate referred to in the preceding paragraph is a government or juristic-person shareholder, it is also necessary to enter the government's or juristic-person shareholder's name. Where the candidate is the representative of a government or juristic-person shareholder, it is necessary to enter both the name of the government or juristic-person shareholder and the representative. Where there are multiple representatives, it is necessary to enter the name of the government or juristic-person shareholder and also the representatives separately.</u></p>	<p>directors from among nominees listed in the roster of director candidates. Therefore, the method for filling in the ballot is amended to simplify this Article.</p>
<p><b><u>Article 12 (Invalid Ballot)</u></b></p> <p>In the event of any of the following circumstances, ballots shall become invalid:</p> <ol style="list-style-type: none"> <li>1. The ballot was not prepared by the Board of Directors.</li> <li>2. The ballots cast into the ballot box remain blank.</li> <li>3. The ballots are not cast into the ballot box <u>designated by the chair.</u></li> <li>4. The name of candidate <u>filled in the ballot is inconsistent with the name of candidates listed in the roster of director candidates published by the Company.</u></li> <li>5. <u>The ballots are not filled in accordance with the stipulation prescribed in paragraph 1 of the Article 11, or there are other graphic or marks written</u></li> </ol>	<p><b><u>Article 10</u></b></p> <p>In the event of any of the following circumstances, ballots shall <u>be deemed</u> invalid:</p> <ol style="list-style-type: none"> <li>1. Where the ballots are not prepared by the Board of Directors.</li> <li>2. Where ballots cast into the ballot box remain blank.</li> <li>3. Where ballots are not cast into the ballot box.</li> <li>4. Where the account name or shareholder's account number of the candidate <u>who is a shareholder does not conform to those given in the roster of shareholders.</u></li> <li>5. <u>Where the name and ID number of the candidate who is not a shareholder are found inconsistent upon verification, or unable to</u></li> </ol>	<ol style="list-style-type: none"> <li>1. The sequence number of this Article is adjusted and essentials of this Article are added.</li> <li>2. To conform to the revised Article 11 in respect of method for filling in the ballot, the circumstances for invalid ballots are amended.</li> </ol>

<p>on or attached with the ballots.</p> <p>6. The writing is unclear and indecipherable or has been altered.</p> <p>7. <u>The sum of voting rights assigned to candidates exceeds the total number of voting rights allocated to such voter.</u></p>	<p><u>cross check.</u></p> <p>6. Where there are other graphic, marks, <u>or unknown objects written on</u> or attached with the ballots, in addition to the candidate's account name (name) and shareholder's account number or ID number.</p> <p>7. Where the writing is unclear and indecipherable, or has been altered.</p> <p>8. <u>Where the candidate's account name (name), shareholder's account number or ID number is not written in the ballots.</u></p> <p>9. <u>Where two or more candidates are filled out in the same ballot.</u></p>	
<p><b><u>Article 13 (Ballot Counting and Custody)</u></b></p> <p>The ballots shall be counted on site upon the completion of the voting process. The ballot counting result shall be announced by the chair on site.</p> <p><u>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the vote monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</u></p>	<p><b><u>Article 11</u></b></p> <p>Upon the completion of the voting process, the ballots shall be counted on site <u>under the supervision of the vote monitoring personnel</u>. The ballot counting result shall be announced by the chairperson on site.</p>	<p>1. The sequence number of this Article is adjusted and essentials of this Article are added.</p> <p>2. Pursuant to Article 13 of the Sample Template, the specification regarding the custody of the ballots is added.</p>
<p><b><u>Article 14 (Matters not Specified in these Rules)</u></b></p>	<p><b><u>Article 12</u></b></p>	<p>The sequence number of this Article is adjusted and</p>

Matters not addressed by these Articles shall be governed by the Company Act, other applicable laws and regulations, and the Company's Articles of Incorporation.	Matters not addressed by these Articles shall be governed by the Company Act, other applicable laws and regulations, and the Company's Articles of Incorporation.	essentials of this Article are added.
<b><u>Article 15 (Approval Hierarchy of these Rules)</u></b> These Rules shall be enforced upon resolution of the shareholders' meeting. The same shall apply where these Rules are amended <u>or discarded</u> .	<b><u>Article 13</u></b> The Rules shall be enforced upon resolution of the shareholders' meeting. The same shall apply where the Rules are amended.	1. The sequence number of this Article is adjusted and essentials of this Article are added. 2. The authorization regarding discard of these Rules is added.

