

## INDEPENDENT AUDITORS' REPORT

PWCR20003094

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

### Opinion

We have audited the accompanying balance sheets of Mega Bills Finance Co., Ltd. as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mega Bills Finance Co., Ltd. as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### Basis for opinion

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of Mega Bills Finance Co., Ltd.'s 2020 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Mega Bills Finance Co., Ltd.'s 2020 financial statements are stated as follows:

## **Reserve for guarantee liabilities of financial guarantee contracts**

### Description

For the accounting policy for reserve for guarantee liabilities of financial guarantee contracts, please refer to Note 4(19) of the financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of reserve for guarantee liabilities, please refer to Note 5(1) of the financial statements; As of December 31, 2020, Mega Bills Finance Co., Ltd. provisioned NT\$2,413,688 thousand for the reserve of guarantee liabilities. Please refer to Note 6(17) for details of the account.

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

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

### How our audit addressed the matter

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

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

5. Sampled and tested whether the amount of guarantee liabilities provision is in accordance with the Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt.

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

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

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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mega Bills Finance Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on liquidate Mega Bills Finance Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause liquidate Mega Bills Finance Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Kuo, Puo-Ju

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2021

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

**MEGA BILLS FINANCE CO., LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020	December 31, 2019
11000	Cash and cash equivalents	6(1) and 7	\$ 310,489	\$ 356,298
12000	Financial assets at fair value through profit or loss	6(2)(7), 7 and 8	159,366,161	127,382,706
12100	Financial assets at fair value through other comprehensive income	6(3)(7), 7 and 8	139,211,496	126,416,773
12200	Investments in debt instruments at amortised cost	6(4)(7)	406,437	431,553
13000	Receivables – net	6(6)	1,404,106	2,303,800
15500	Other financial assets – net	6(9) and 8	471,412	585,426
18500	Property and equipment – net	6(10)	356,187	353,131
18600	Right of use asset – net	6(11)	36,870	73,532
18700	Investment property – net	6(12)	2,485,768	2,496,432
19000	Intangible assets – net		6,522	6,195
19300	Deferred income tax assets – net	6(30)	185,044	135,853
19500	Other assets – net	6(13) and 7	64,974	59,540
	<b>TOTAL ASSETS</b>		<b>\$ 304,305,466</b>	<b>\$ 260,601,239</b>
	Liabilities and equity			
21000	Interbank overdraft and call loans	6(14), 7 and 8	\$ 17,012,187	\$ 14,132,031
22000	Financial liabilities at fair value through profit or loss	6(15)	-	2,475
22500	Bills and bonds payable under repurchase agreements	6(2)(3)(4)(5)(7) and 7	241,164,641	204,173,461
23000	Payables	6(16)	507,353	592,668
23200	Current income tax liabilities	6(30)	544,324	136,891
25600	Provisions for liabilities	6(17)(18)	2,823,445	2,589,139
26000	Lease liabilities	6(11) and 7	37,070	73,785
29300	Deferred income tax liabilities	6(30)	607,047	324,149
29500	Other liabilities		202,476	299,415
	<b>TOTAL LIABILITIES</b>		<b>262,898,543</b>	<b>222,324,014</b>
31100	<b>Equity</b>			
31101	Common stocks	6(19)	13,114,411	13,114,411
31500	<b>Capital surplus</b>	6(20)	320,929	320,929
32000	<b>Retained earnings</b>	6(21)		
32001	Legal reserve		20,453,398	19,669,947
32003	Special reserve		203,090	203,090
32005	Unappropriated retained earnings		2,736,743	2,626,382
32500	<b>Other equity interest</b>		4,578,352	2,342,466
	<b>TOTAL EQUITY</b>		<b>41,406,923</b>	<b>38,277,225</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 304,305,466</b>	<b>\$ 260,601,239</b>

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

MEGA BILLS FINANCE CO., LTD.  
STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31	
		2020	2019
41000 Interest income	6(22)	\$ 3,245,618	\$ 3,490,129
51000 Less : interest expense	6(22) and 7	( 1,050,854 )	( 1,940,494 )
<b>Interest income, net</b>		<b>2,194,764</b>	<b>1,549,635</b>
<b>Non-interest income, net</b>			
49100 Service fee and commission income, net	6(23) and 7	968,944	923,508
49200 Gain or loss from financial assets and liabilities at fair value through profit or loss	6(2)(15)(24) and 7	736,931	522,379
49310 Realized gain on financial assets at fair value through other comprehensive income	6(3)(25)	740,708	782,811
49600 Foreign exchange gain or loss, net	(	61,060 )	( 27,206 )
55000 Impairment loss on assets	(	12,407 )	( 639 )
<b>Other non-interest income or loss, net</b>			
49851 Leasehold income	7	114,208	114,389
49899 Others		2,452	35,980
<b>Net revenues</b>		<b>4,684,540</b>	<b>3,900,857</b>
58200 (Provisions) reversals	6(26)	( 252,093 )	( 69,684 )
<b>Operating expenses</b>			
58500 Employee benefit expense	6(18)(27)	( 589,589 )	( 574,655 )
59000 Depreciation and amortization	6(10)(11)(12)(28)	( 67,919 )	( 65,127 )
59500 Other business and administrative expenses	6(29) and 7	( 169,533 )	( 164,779 )
<b>Total operating expenses</b>		<b>( 827,041 )</b>	<b>( 804,561 )</b>
61001 <b>Income before income tax from operating unit</b>		<b>3,605,406</b>	<b>3,165,980</b>
61003 Income tax expense	6(30)	( 674,409 )	( 540,628 )
64000 <b>Net income</b>		<b>2,930,997</b>	<b>2,625,352</b>
<b>Other comprehensive income</b>			
<b>Not reclassifiable to profit or loss:</b>			
65201 Remeasurement of defined benefit plans	6(18)	( 29,379 )	( 17,641 )
65204 Revaluation (losses) gains on investments in equity instruments measured at fair value through other comprehensive income	6(3)	( 121,009 )	( 372,762 )
65220 Income tax relating to items that are not reclassifiable to profit or loss	6(30)	5,876	3,528
<b>Potentially reclassifiable to profit or loss subsequently:</b>			
65308 Gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	6(3)	2,490,527	2,287,000
65320 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	( 319,165 )	( 497,992 )
65000 <b>Total other comprehensive income, net of tax</b>		<b>2,026,850</b>	<b>2,147,657</b>
66000 <b>Total comprehensive income</b>		<b>\$ 4,957,847</b>	<b>\$ 4,773,009</b>
<b>Earnings per share</b>			
<b>Basic and diluted earnings per share</b>	6(31)	<b>\$ 2.23</b>	<b>\$ 2.00</b>

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

MEGA BILLS FINANCE CO., LTD.  
STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity interest	
						Gains or losses on financial assets measured at fair value through other comprehensive income	
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		Total equity
<u>For the year ended December 31, 2019</u>							
Balance at January 1, 2019	\$ 13,114,411	\$ 320,929	\$ 18,902,523	\$ 203,090	\$ 2,906,836	\$ 180,962	\$ 35,628,751
Net income for 2019	-	-	-	-	2,625,352	-	2,625,352
Total other comprehensive (loss) income for 2019	-	-	-	-	( 14,113)	2,161,770	2,147,657
Total comprehensive income for 2019	-	-	-	-	2,611,239	2,161,770	4,773,009
Appropriation of 2018 earnings							
Legal reserve	-	-	767,424	-	( 767,424)	-	-
Cash dividends	-	-	-	-	( 2,124,535)	-	( 2,124,535)
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	266	( 266)	-
Balance at December 31, 2019	\$ 13,114,411	\$ 320,929	\$ 19,669,947	\$ 203,090	\$ 2,626,382	\$ 2,342,466	\$ 38,277,225
<u>For the year ended December 31, 2020</u>							
Balance at January 1, 2020	\$ 13,114,411	\$ 320,929	\$ 19,669,947	\$ 203,090	\$ 2,626,382	\$ 2,342,466	\$ 38,277,225
Net income for 2020	-	-	-	-	2,930,997	-	2,930,997
Total other comprehensive (loss) income for 2020	-	-	-	-	( 23,503)	2,050,353	2,026,850
Total comprehensive income for 2020	-	-	-	-	2,907,494	2,050,353	4,957,847
Appropriation of 2019 earnings							
Legal reserve	-	-	783,451	-	( 783,451)	-	-
Cash dividends	-	-	-	-	( 1,828,149)	-	( 1,828,149)
Disposal of investment in equity instruments designated at fair value through other comprehensive income	-	-	-	-	( 185,533)	185,533	-
Balance at December 31, 2020	\$ 13,114,411	\$ 320,929	\$ 20,453,398	\$ 203,090	\$ 2,736,743	\$ 4,578,352	\$ 41,406,923

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

MEGA BILLS FINANCE CO., LTD.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax from operating units		\$ 3,605,406	\$ 3,165,980
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	61,398	60,681
Amortization	6(28)	6,521	4,446
Provision (reversal) for bad debts and various reserves	6(26)	262,480	65,949
Interest income	6(22)	( 3,245,618 )	( 3,490,129 )
Dividend income		( 93,579 )	( 99,246 )
Interest expense	6(22)	1,050,854	1,940,494
Impairment loss on asset		12,407	639
Losses on disposal of property and equipment		33	-
Changes in operating assets and liabilities			
Changes in operating assets			
Increase in financial assets at fair value through profit or loss		( 31,983,455 )	( 805,141 )
(Increase) decrease in financial assets at fair value through other comprehensive income		( 10,437,590 )	8,197,464
Decrease in investments in debt instruments measured at amortised cost		25,114	8,514
Decrease (increase) in receivables		733,930	( 737,974 )
Decrease (increase) in other financial assets		114,014	( 87,723 )
(Increase) decrease in other assets		( 3,879 )	1,938
Changes in operating liabilities			
Decrease in financial liabilities at fair value through profit or loss		( 2,475 )	( 3,417 )
Increase in bills and bonds payable under repurchase agreements		36,991,180	1,863,056
(Decrease) increase in payables		( 24,239 )	38,819
Decrease in provisions for liabilities		( 57,553 )	( 59,468 )
Decrease in other liabilities		( 96,939 )	( 56,849 )
Interest received		3,411,624	3,458,904
Interest paid		( 1,111,930 )	( 1,946,901 )
Dividend received		93,317	99,246
Income tax paid		( 346,558 )	( 333,030 )
Net cash flows (used in) from operating activities		( 1,035,537 )	11,154,354
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	6(10)	( 15,601 )	( 12,327 )
Proceeds from disposal of property and equipment		6	-
Acquisition of intangible assets		( 1,920 )	( 2,980 )
Acquisition of other assets		( 6,483 )	( 4,306 )
Net cash flows used in investing activities		( 23,998 )	( 19,613 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in interbank overdraft and call loans		2,880,156	( 8,942,248 )
Principal repayments of lease liabilities		( 38,281 )	( 37,867 )
Payments of cash dividends		( 1,828,149 )	( 2,124,535 )
Net cash flows from (used in) financing activities		1,013,726	( 11,104,650 )
Net (decrease) increase in cash and cash equivalents		( 45,809 )	30,091
Cash and cash equivalents at beginning of year	6(1)	356,298	326,207
Cash and cash equivalents at end of year	6(1)	\$ 310,489	\$ 356,298

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