

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer, the Guarantor (each as defined in the attached Offering Circular) or from Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Singapore) Pte. and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (together, the "**Managers**") as a result of such access. In order to review the attached Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor and the Managers that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"); (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

By accepting this document, if you are an investor in Singapore, you (A) represent and warrant that you are either (i) an institutional investor as defined under Section 4A(1) of the Securities and Futures Act 2001 of Singapore (as amended or modified from time to time, the "**SFA**") or (ii) an accredited investor as defined under Section 4A(1) of the SFA, and (B) agree to be bound by the limitations and restrictions described herein.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Managers, the Trustee (as defined in the attached Offering Circular) and the Agents (as defined in the attached Offering Circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Managers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES AND THE GUARANTEE OF THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES AND THE GUARANTEE OF THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY TO INVESTORS WHO ARE PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes, nor may be used in connection with, an offer or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Manager or any affiliate of the Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward the attached Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT DELIVER, DISTRIBUTE OR FORWARD THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE THE ATTACHED OFFERING CIRCULAR IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



NANSHAN LIFE PTE. LTD.
(incorporated in Singapore with limited liability)
(Company registration number: 202430489R)

U.S.\$700,000,000
5.45 per cent. Tier 2 Subordinated Dated Capital Bonds due 2034
irrevocably and unconditionally guaranteed by

NAN SHAN LIFE INSURANCE CO., LTD.
(incorporated in Taiwan, the Republic of China with limited liability)
(as Guarantor)

Issue Price: 99.673 per cent.

U.S.\$700,000,000 5.45 per cent. in an initial aggregate principal amount of Tier 2 subordinated dated capital bonds due 2034 (the "**Bonds**") will be issued by Nanshan Life Pte. Ltd. (the "**Issuer**") and will be irrevocably and unconditionally guaranteed on a subordinated basis (the "**Guarantee of the Bonds**") by Nan Shan Life Insurance Co., Ltd. (the "**Guarantor**" or "**Company**"). The Issuer is a wholly-owned subsidiary of the Guarantor.

The Bonds will be constituted by and have the benefit of a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 11 September 2024 (the "**Issue Date**") between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**").

The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to and to the extent permitted by the insolvency laws of Singapore and any other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the holders of the Bonds (the "**Bondholders**", or "**Holders**", and each, a "**Bondholder**" or a "**Holder**") in respect of payment of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payments in full of all present and future claims of all Senior Creditors (as defined in the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**")), but shall rank *pari passu* in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations (as defined in Terms and Conditions of the Bonds) of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares (as defined in Terms and Conditions of the Bonds) and Preferred Shares (as defined in Terms and Conditions of the Bonds)) and any other Junior Obligations of the Issuer. See "**Terms and Conditions of the Bonds – Status**".

The Guarantee of the Bonds will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor. See "**Terms and Conditions of the Bonds – Status**".

The Bonds confer a right to receive interest from the Issue Date at 5.45 per cent. per annum (the "**Rate of Interest**") payable semi-annually in equal instalments in arrear on 11 March and 11 September of each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 11 March 2025.

The Bonds, unless previously redeemed, purchased and cancelled as provided in Condition 5 of the Terms and Conditions of the Bonds, shall be finally redeemed on 11 September 2034 (the "**Maturity Date**") in whole, but not in part, at their outstanding principal amount together with interest accrued to (but not including) the Maturity Date.

Subject to satisfaction of the Redemption Conditions (as defined in the Terms and Conditions of the Bonds), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) (i) upon the occurrence of Tax Withholding Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Taxation Reasons**", (ii) upon the occurrence of a Tax Deduction Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Tax Deduction Reasons**", (iii) upon the occurrence of a Minimal Outstanding Amount Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Minimal Outstanding Amount Redemption**" or (iv) upon the occurrence of a Regulatory Capital Event, as described under "**Terms and Conditions of the Bonds – Redemption, Purchase and Options – Regulatory Event Redemption**".

Investing in the Bonds involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and the merits and risks of investing in the Bonds in the context of their financial condition and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Bonds. Investors should not purchase the Bonds unless they understand and are able to bear risks associated with the Bonds. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds will be issued in registered form and in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee of the Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S of the Securities Act ("**Regulation S**"). For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee of the Bonds and distribution of this Offering Circular, see "**Subscription and Sale**".

The Bonds are expected to be rated of "BBB" and "BBB" by Standard & Poor's Ratings Services ("**S&P**") and Fitch Ratings Ltd. ("**Fitch**"), respectively. The Guarantor is rated "A-" with a stable outlook by Fitch for insurer financial strength and "BBB+" with a stable outlook by S&P for international credit rating. Such ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds. Each such rating should be evaluated independently of any other rating of the Bonds, the Issuer's or the Guarantor's other securities or of the Issuer or the Guarantor.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds is not to be taken as an indication of the merits of the Issuer, the Guarantor, any of their subsidiaries, their associated companies or the Bonds.

The Bonds will initially be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup

Goldman Sachs (Singapore) Pte.

HSBC

Offering Circular dated 4 September 2024

NOTICE TO INVESTORS

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES (TOGETHER, THE "**GROUP**"), OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

Each of the Issuer and the Guarantor is responsible for the accuracy and completeness of the information in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor, the Group as a whole and the Bonds (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group as a whole and of the Bonds and the Guarantee of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group as a whole and of the rights attaching to the Bonds; (ii) this Offering Circular does not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) the statements relating to the Issuer, the Guarantor, the Group and to the Bonds and the Guarantee are in every material particular true and accurate and not misleading, and that there are no other facts in relation to the Issuer, the Guarantor, the Group as a whole and the Bonds and the Guarantee the omission of which would in the context of the offering and the issue of the Bonds make any statement and/or any other material misleading in any material respect; (iv) the statements of intention, opinion, belief or expectation expressed in this Offering Circular with regard to the Issuer, the Guarantor, and the Group are honestly held and reasonably made or held and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

Each of the Issuer and the Guarantor has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Singapore) Pte., and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch (together, the "**Managers**", and each, a "**Manager**") to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantee of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee of the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the

Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and the Guarantor and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular, each investor is deemed to have agreed to these restrictions.

None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds.

Each person receiving this Offering Circular acknowledges that (i) such person has been afforded an opportunity to request from the Issuer and the Guarantor and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) such person has not relied on the Managers or any person affiliated with them in connection with any investigation of the accuracy of such information or its investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor or the Bonds (other than as contained herein and information given by duly authorised officers and employees of the Issuer and the Guarantor in connection with investors' examination of the Issuer and the Guarantor and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

Each person receiving this Offering Circular acknowledges that it has not relied on the Managers, the Trustee, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group, and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes any responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, officers,

employees, agents, representatives, directors or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Bonds or the giving of the Guarantee of the Bonds. Each of the Managers, the Trustee and the Agents and each of their respective affiliates, officers, employees, agents, representatives, directors and advisers or any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER(S)") OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER(S) MAY, SUBJECT TO ALL APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer and the Guarantor and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the ROC, Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

The Bonds are expected to be assigned a rating of "BBB" and "BBB" by S&P and Fitch, respectively. The Guarantor is rated "A-" with a stable outlook by Fitch for insurer financial strength and "BBB+ with a stable outlook by S&P for international credit rating. Such ratings do not constitute a recommendation to buy, sell or hold the Bonds may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds. Each such rating should be evaluated independently of any other rating of the Bonds, the Issuer's or the Guarantor's other securities or of the Issuer or the Guarantor.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" (together, the "CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors.

Certain CMIs may also be acting as "overall coordinators" (together, the "OCs") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Industry and Market Data

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although each of the Issuer and the Guarantor believes the information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them and none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Guarantor, the Group and the terms of the offering and the Bonds, including the merits and risks involved.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". Certain statements in this Offering Circular constitute "forward-looking statements". These statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words or expressions or their negative forms. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements, including but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters relating to the Issuer, the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical facts. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group expects to operate in the future.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's, Guarantor's and/or the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements.

Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" below and elsewhere in this Offering Circular. Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. None of the Issuer or the Guarantor undertakes any obligation to update or revise any forward-looking statements, whether as a result of any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any new information, change of events, conditions or circumstances or otherwise on which any such statements were based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

PRESENTATION OF FINANCIAL INFORMATION

The Group's consolidated financial information as at and for the financial years ended 31 December 2021, 2022 and 2023 included in this Offering Circular has been extracted from the Group's audited consolidated financial statements as at and for the financial years ended 31 December 2022 and 2023, including the notes thereto, included elsewhere in this Offering Circular. The Group's consolidated financial information as at and for the financial years ended 31 December 2021, 2022 and 2023 included herein have been prepared and presented in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions, the International Financial Reporting Standards, International Accounting Standards ("**IAS**"), IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the Financial Supervisor Commission ("**FSC**") (together, "**Taiwan-IFRS**"). The Group's consolidated financial statements as at and for the financial years ended 31 December 2022 and 2023 have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China.

The Group's consolidated financial information as at and for the six months ended 30 June 2023 and 2024 included in this Offering Circular has been extracted from the Group's audited consolidated financial statements as at and for the six months ended 30 June 2024, including the notes thereto, included elsewhere in this Offering Circular. The Group's consolidated financial information as at and for the six months ended 30 June 2023 and 2024 included herein have been prepared and presented in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and IAS 34 "Interim Financial Reporting" ("**IAS 34**") that came into effect as endorsed by the FSC. The Group's consolidated financial statements as at and for the six months ended 30 June 2024 have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. The Group's audited consolidated financial statements as at and for the six months ended 30 June 2024 should not be taken as an indication of the expected consolidated financial position and performance of the Group for the full financial year ending 31 December 2024.

The Taiwan-IFRS differs from the International Financial Reporting Standards as issued by the International Accounting Standard Board ("**IASB**") (the "**IFRS Accounting Standards**") or generally accepted accounting principles of certain other countries. Potential investors should seek professional advice with respect to such differences from generally accepted accounting principles. All such financial data should be read in conjunction with, and are qualified in their entirety by reference to, the financial statements included elsewhere in this Offering Circular, including the Bonds thereto.

The Group's historical financial information should not be taken as an indication of its future financial performance.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise stated in this Offering Circular, all translations from New Taiwan dollar into U.S. dollar were made at the rate of NT\$32.45 to U.S.\$1.00, the noon buying rate in the City of New York for cable transfers payable in New Taiwan dollar as certified for customs purposes by the Federal Reserve Bank of New York on or nearest to 30 June 2024. All such translations in this Offering Circular are provided solely for reference and no representation is made that the New Taiwan dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars at any particular rate or at all. See "*Exchange Rates*".

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The glossary below contains explanations of certain terms and definitions used in the Offering Circular in connection with the Group and the Group's business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms. Unless the context otherwise requires, the following terms shall have the meanings set out below.

Board	the board of directors of the Guarantor
EUR or Euro	the lawful currency of the European Union
Executive Yuan	the executive branch of the ROC Government
Fitch	Fitch Ratings Ltd.
FSC	the Financial Supervisory Commission of the ROC
FVOCI	the financial assets at fair value through other comprehensive income investments
FYP	first year premiums, premiums received in the first year of a policy
FVTPL	the financial assets at fair value through profit or loss
GBP	the lawful currency of the United Kingdom
GDP	gross domestic product
Guarantor or Company	Nan Shan Life Insurance Co., Ltd.
Hong Kong	the Hong Kong Special Administrative Region of the PRC
IAS	the International Accounting Standards
IASB	the International Accounting Standard Board
ICS	the Insurance Capital Standard, a consolidated group-wide capital standard for International Association of Insurance Supervisors
IFRS Accounting Standards	the International Financial Reporting Standards as issued by the IASB
Issuer	Nanshan Life Pte. Ltd.
Macao	the Macao Special Administrative Region of the PRC
Mainland China or the PRC	the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong
Nan Shan General Insurance	Nan Shan General Insurance Company, Ltd.

NDF	the non-deliverable forward
New Taiwan dollar, NTD or NT\$	the lawful currency of the ROC
RMB, Renminbi, CNH or CNY	the lawful currency of the PRC
S\$, SGD or Singapore dollars	the lawful currency of the Republic of Singapore
Singapore	the Republic of Singapore
spillover-effect insurance policies	the insurance policies with spillover effects, which, in addition to having insurance functions, also include features that raise awareness of independent health management and improve the wellness of such policyholders
Standard & Poor's or S&P	Standard & Poor's Ratings Services
Taiwan or the ROC	Taiwan, the Republic of China
Taiwan-IFRS	Regulations Governing the Preparation of Financial Reports by Insurance Institutions, the International Financial Reporting Standards, IAS, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by FSC
United States, US or U.S.	the United States of America
U.S.\$ or U.S. dollars	the lawful currency of the United States of America

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SUMMARY

OVERVIEW

The Company was founded in July 1963 as the Taiwan subsidiary of American International Group, Inc. ("AIG") as one of the first insurers in Taiwan. In August 2011, Ruen Chen acquired the Company's shares held by AIG and American General Life Insurance Company, making Ruen Chen become one of the Company's major shareholders and converting the Company into a local enterprise. The Group is currently the largest non-financial holding life insurance company in Taiwan in terms of gross written premiums. The Company is rated "A-" with a stable outlook by Fitch for insurer financial strength and "BBB+" with a stable outlook by S&P for international credit rating.

With a focus on high-margin products, the Group offers a full range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance. The full range of products and services allows the Group to cater to different customers' needs. The Company has developed a comprehensive service network with 25 branches and 291 offices across Taiwan as of July 2024. Committed to people and the well-being of society, the Company provides insurance services to more than a quarter of Taiwan's population with approximately 6.6 million policyholders, 12 million valid policies and 37,000 corporate enterprises clients as of 30 June 2024.

In 2023, the Company recorded NT\$270 billion in gross written premiums and the Group generated a net income of NT\$22 billion. As of 31 December 2021, 2022 and 2023, the Group's total assets were NT\$5,289 billion, NT\$5,276 billion and NT\$5,386 billion, respectively, and the Group's total liabilities were NT\$4,778 billion, NT\$4,994 billion and NT\$5,043 billion, respectively.

The Group is committed to the well-being of the Taiwanese people. The Group upholds its core value of being "people-oriented" and lives up to its social responsibility by providing microinsurance to help the disadvantaged obtain basic accident insurance protection. By establishing Health Guardian Circle in 2020, the Group also safeguards Taiwanese people's health needs via innovative spillover-effect insurance policies that promotes a healthier lifestyle by building in wellness reward mechanisms exclusive for different groups. In 2023, the Company won the Finalist "Best Health Insurance Company of the Year" at the Asia Insurance Industry Award. As of 31 December 2023, the Company ranked first in terms of the number of spillover-effect insurance policies sold.

In addition to its main insurance business, the Group is also an industry leader of sustainable insurance. In response to the government's net-zero emission by 2050, the Group has conducted carbon footprint inventories in line with international ISO standards. Through a complete inventory process and scientific and systematic data integration and calculations, the Group has passed the verification by an international third party institution and completed the transparency and disclosure of carbon information, being the first insurance company in Taiwan to have obtained the Property Insurance Service Carbon Label and the Electronic Policy Carbon Label.

COMPETITIVE STRENGTHS

The Group has been the leading life insurer in Taiwan's insurance market. Its principal strengths include:

- household brand with leading market position in the industry;
- comprehensive and innovative products to meet different customer needs;
- leading health business empowered by value-add services;
- stable agency and bancassurance distribution channels;
- high quality and well-diversified investment portfolio with superior credit; and
- strong capital position and proven business sustainability.

STRATEGIES

The Group's main strategies are set out below:

- enhanced focus on high margin protection products;
- continuing to provide better health insurance and long-term care products for customers;
- improving customer experience through digital innovation and personalisation; and
- further diversifying its distribution channels.

THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular. Capitalised terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	Nanshan Life Pte. Ltd.
Guarantor	Nan Shan Life Insurance Co., Ltd.
The Bonds	U.S.\$700,000,000 5.45 per cent. Tier 2 subordinated dated capital bonds due 2034.
Guarantee of the Bonds	The Guarantor has unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment of all sums payable by the Issuer in respect of the Bonds. The obligations of the Guarantor under the guarantee (the " Guarantee of the Bonds ") are contained in the Trust Deed.
Status and Ranking of the Bonds	The Bonds will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank <i>pari passu</i> in right of payment and without any preference among themselves. Subject to and to the extent permitted by the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of payment of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payments in full of all present and future claims of all Senior Creditors, but shall rank <i>pari passu</i> in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer) and any other Junior Obligations of the Issuer. "Applicable Supervisory Rules" means such insurance supervisory laws, rules, regulations, guidelines and official interpretation which are applicable to the Guarantor and, as the case may be, the Issuer from time to time. "Junior Obligations" means: (i) in respect of the Issuer, (a) any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer), (b) any other instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Bonds by operation of law or contract; and (ii) in respect of the Guarantor, (a) any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor), (b) any other instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the

Guarantor or other obligations of the Guarantor ranking, or expressed to rank, junior to the Guarantor's obligations under the Guarantee of the Bonds by operation of law or contract.

"Ordinary Shares" means the ordinary share capital (普通股) of the Issuer or the Guarantor, as the case may be.

"Parity Obligations" means:

- (i) in respect of the Issuer, any instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Issuer, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Bonds by operation of law or contract; and
- (ii) in respect of the Guarantor, any instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Guarantor, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Guarantee of the Bonds by operation of law or contract.

"Preferred Shares" means any preferred shares (特別股) of the Issuer or the Guarantor, as the case may be.

"Senior Creditors" means:

- (i) in respect of the Issuer, any unsubordinated creditors of the Issuer or other creditors whose claims are not ranked or not expressed to rank *pari passu* or junior to the claims of the Bondholders; and
- (ii) in respect of the Guarantor, all policyholders (including all obligations to such policyholders under policies and contracts of insurance) and other unsubordinated creditors of the Guarantor.

"Tier 1 Capital Instruments" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 1 Unlimited capital (第一類非限制性資本) or Tier 1 Limited capital (第一類限制性資本) of the Guarantor pursuant to the Applicable Supervisory Rules;

"Tier 2 Capital Instruments" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 2 capital (第二類資本) of the Guarantor pursuant to the Applicable Supervisory Rules.

Status and Ranking of the Guarantee of the Bonds

The obligations of the Guarantor under the Guarantee of the Bonds will constitute a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the

	insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank <i>pari passu</i> in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor. <i>The status and ranking of the Bonds and the Guarantee of the Bonds will not be affected by the Tier 1 Capital Instruments or Tier 2 Capital Instruments issued or guaranteed by the Issuer or the Guarantor.</i>
Issue Price	99.673 per cent. of the principal amount of the Bonds.
Form, Denomination and Title	The Bonds will be registered and issued in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Issue Date	11 September 2024.
Maturity Date	11 September 2034.
Set-off	Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, and each holder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of Winding-Up of the Issuer or the Guarantor, as the case may be, the liquidator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the relevant liquidator) and accordingly any such discharge shall be deemed not to have taken place.
Interest	The Bonds confer a right to receive interest from the Issue Date at 5.45 per cent. per annum (the "Rate of Interest") payable semi-annually in equal instalments in arrear on 11 March and 11 September of each year (each, an "Interest Payment Date"), with the first Interest Payment Date falling on 11 March 2025. Unless otherwise provided for in the Terms and Conditions of the Bonds, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused.

In such latter event, interest will continue to accrue at the Rate of Interest (after as well as before any judgment) up to but excluding whichever is the earlier of:

- (i) the date on which all sums due in respect of the Bonds are received by or on behalf of the relevant Bondholder; and
- (ii) the day which is seven days after the Agent (as defined in the Terms and Conditions of the Bonds) has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under the Terms and Conditions of the Bonds).

The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The interest is not linked to any credit quality or the financial condition of the Issuer or the Guarantor and will not be adjusted according to changes in the credit quality or the financial condition of the Issuer or the Guarantor, as the case may be, in the future.

Redemption of Bonds at Maturity

The Bonds, unless previously redeemed, purchased and cancelled as provided in Condition 5 of the Terms and Conditions of the Bonds, shall be finally redeemed on the Maturity Date in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

Redemption for Taxation Reasons

Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

- (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Terms and Conditions of the Bonds or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the

application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024, and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due or (as the case may be) a demand under the Guarantee of the Bonds then made (a "**Tax Withholding Event**").

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Taxation Reasons*".

Redemption for Tax Deduction Reasons

Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

- (a) (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024 and (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) in respect of any amounts payable under the Guarantee of the Bonds, the Guarantor is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024 and (ii) such non tax deductibility cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor is or would be no longer entitled to claim a deduction for any payments in respect of the Bonds or

(as the case may be) the Guarantee of the Bonds in computing its Singapore or the ROC (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (a "**Tax Deduction Event**")

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption for Tax Deduction Reasons*".

Minimal Outstanding Amount Redemption

Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 14 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled (a "**Minimal Outstanding Amount Redemption Event**").

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Minimal Outstanding Amount Redemption*".

Regulatory Event Redemption

Subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if, immediately before giving such notice, the Bonds or the Guarantee of the Bonds, which having originally qualified as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), as a result of a change in the Applicable Supervisory Rules are deemed to no longer fully qualify as Tier 2 capital of the Issuer or the Guarantor, as the case may be, until the Maturity Date under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) (each, a "**Regulatory Capital Event**").

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Options – Regulatory Event Redemption*".

Redemption Conditions

Notwithstanding anything to the contrary set out in the Terms and Conditions of the Bonds, any redemption or purchase of the Bonds pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) shall be subject to the following conditions under Condition 5(f) of the Terms and Conditions of the Bonds (the "**Redemption Conditions**") to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever

terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:

- (A) the Bonds may not be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and
- (B) the Bonds may only be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.

See *"Terms and Conditions of the Bonds – Redemption, Purchase and Options – Redemption Conditions"*.

"Capital Requirements" means any minimum prescribed solvency capital ratios to which the Guarantor is subject from time to time pursuant to the Applicable Supervisory Rules, which as of the Issue Date comprise of the capital adequacy ratio (資本適足率) as calculated according to the Applicable Supervisory Rules.

The minimum prescribed solvency capital ratios and other capital requirements which apply to the Guarantor may change from time to time. See "Risk Factors – Risk Factors Relating to the Insurance Industry – the Group is required to comply with minimum solvency requirements and may be required to raise additional capital or change its business strategy if the Guarantor's risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future" in this Offering Circular for further details.

"Relevant Regulator" means the regulator which is considered the primary supervisor of the Guarantor from time to time under the Applicable Supervisory Rules. The Relevant Regulator as of the Issue Date is the Insurance Bureau of the Financial Supervisory Commission, ROC.

"Relevant Regulatory Approval" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption, purchase or substitution or variation (in accordance with Condition 12 of the Terms and Conditions of the Bonds), as the case may be, of such Bonds.

Limited rights to institute proceedings

The right to institute Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment in respect of the Bonds has become due and is unpaid.

Proceedings for Winding-Up

Upon:

- (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or the Guarantor, as the case may be; or
- (ii) the Issuer or the Guarantor failing to make payment in respect of the Bonds or the Guarantee of the Bonds, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default

under the Bonds (in the case of the Issuer) and the Guarantee of the Bonds (in the case of the Guarantor), and the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove and/or claim in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) for the principal amount of the Bonds together with interest accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds or the Guarantor's payment obligations arising from the Guarantee of the Bonds is limited to circumstances provided by applicable law.

The Bondholders do not have the right to require the Issuer or the Guarantor to repay any principal or interest under the Bonds before it has become due and payable, unless such payment is made under circumstances provided by applicable law in the event of a Winding-Up of the Issuer or the Guarantor.

Substitution or Variation

If a Special Event has occurred and is continuing, then the Issuer may, (without any requirement for the consent or approval of the Bondholders or the Trustee) subject to its having satisfied the requirements set out under the definition of "Qualifying Bonds" immediately prior to the giving of any notice referred to herein that the provisions of Condition 12 of the Terms and Conditions of the Bonds have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 15 of the Terms and Conditions of the Bonds, the Bondholders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Bonds for; or
- (ii) vary the terms of the Bonds with the effect that they remain or become (as the case may be), Qualifying Bonds,

provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Bonds in accordance with Condition 12 of the Terms and Conditions of the Bonds.

In connection with any substitution or variation in accordance with Condition 12 of the Terms and Conditions of the Bonds, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such

substitution or variation would give rise to a Special Event with respect to the Bonds or the Qualifying Bonds.

"Special Event" means a Tax Withholding Event, Tax Deduction Event or Regulatory Capital Event or any combination of the foregoing.

"Qualifying Bonds" means bonds that:

- (a) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Bonds (as reasonably determined by the Issuer, and provided that a certification to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of one authorised signatory of the Issuer or the Guarantor shall have been delivered to the Trustee and the Bondholders prior to the substitution or variation of the Bonds), provided that:
 - (i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Guarantor; and
 - (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Bonds on a Winding-Up of the issuer or guarantor thereof, shall preserve the Bondholders' rights to any other payment that has accrued with respect to the Bonds, and shall contain terms which provide for the same Rate of Interest, Interest Payment Dates and redemption events, from time to time applying to the Bonds; and other terms of such bonds are substantially identical (as reasonably determined by the Issuer) to the Bonds, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event;
- (b) have been, or will on issue be, assigned at least the same rating (if any) as that assigned by the relevant rating agencies to the Bonds (if any such rating was assigned on or prior to the Issue Date of the Bonds) immediately prior to such substitution or variation; and
- (c) are listed on the SGX-ST or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

Further Issues

The Issuer (with the prior written consent of the Guarantor) may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds (except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in the Terms and Conditions of the Bonds to "Issue Date" shall be to the first issue date of the Bonds) and so that the same shall be consolidated and form a single series with such

	Bonds, and references in the Terms and Conditions of the Bonds to "Bonds" and "Bondholders" shall be construed accordingly.
Governing Law and Jurisdiction	The Bonds and the Trust Deed and any non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed will be governed by, and shall be construed in accordance with, English law, except that the subordination provisions set out in (i) Conditions 3(a) and (b) of the Terms and Conditions of the Bonds and (ii) the Trust Deed are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively. The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, and any Proceedings may be brought in such courts.
Trustee	The Hongkong and Shanghai Banking Corporation Limited
Registrar	The Hongkong and Shanghai Banking Corporation Limited
Principal Paying Agent and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited
Clearing System	Upon issue, the Bonds will be represented by a Global Certificate deposited with and registered in the name of a nominee of a common depositary for Euroclear and Clearstream. The Terms and Conditions of the Bonds are modified by certain provisions contained in the Global Certificate. See <i>"The Global Certificate"</i> .
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under the following codes: ISIN: XS2888260564 Common Code: 288826056
Listing	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle for the listing and quotation of the Bonds is not to be taken as an indication of the merits of the Issuer, the Guarantor, any of their subsidiaries, their associated companies or the Bonds. The Bonds will be traded on the SGX-ST in a minimum trading board lot size of U.S. \$200,000, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.
Ratings	The Bonds are expected to be rated of "BBB" and "BBB" by S&P and Fitch, respectively. A rating is not a recommendation to buy, sell or hold any Bonds and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Notices	Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice

shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

Use of Proceeds

See "Use of Proceeds"

SELECTED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated which are qualified by reference to, and should be read in conjunction with, the Group's consolidated financial statements included elsewhere in this Offering Circular.

The summary consolidated historical financial information as at and for the years ended 31 December 2021, 2022 and 2023 are derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023 including the notes thereto respectively. The Group's audited consolidated financial statements as of and for the years ended 31 December 2022 and 2023 are prepared and presented in accordance with Taiwan-IFRS.

The summary consolidated historical financial information as at and for the six months ended 30 June 2023 and 2024 are derived from the Group's audited consolidated financial statements as at and for the six months ended 30 June 2024. The Group's audited consolidated financial statements as at and for the six months ended 30 June 2024 are prepared and presented in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and IAS 34 that came into effect as endorsed by the FSC.

The consolidated financial statements of the Group as at and for the financial years ended 31 December 2022 and 2023 and the audited consolidated financial statements of the Group as at and for the six months ended 30 June 2023 and 2024 have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China.

Taiwan-IFRS differs from IFRS Accounting Standards or the generally accepted accounting principles of certain other countries in certain respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS Accounting Standards may not be timely endorsed by the FSC.

The Group's historical financial information should not be taken as an indication of its future financial performance.

CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	(audited)	(audited)	(audited)	(audited)
	(NT\$ thousands)			
ASSETS				
Cash and cash equivalents	177,566,730	98,163,350	71,836,768	80,967,406
Receivables	61,233,996	56,384,806	45,444,582	42,719,809
Current tax assets	804,548	1,042,474	4,116,889	4,601,285
Financial assets at fair value through profit or loss	1,141,234,972	931,841,974	1,008,081,692	1,005,307,392
Financial assets at fair value through other comprehensive income	1,498,660,492	235,055,420	269,736,858	274,517,360
Financial assets measured at amortised cost	1,788,702,003	3,311,180,763	3,325,116,318	3,460,790,172
Investments accounted for using the equity method	3,376	5,591	2,816,281	2,812,742
Investment property	199,300,355	198,615,377	218,889,784	214,613,212
Loans	117,420,850	113,923,449	110,143,889	108,888,167
Reinsurance contract assets	3,961,419	4,410,141	4,012,032	3,593,180
Property and equipment	14,174,506	16,809,216	16,850,912	17,628,525
Right-of-use assets	891,938	908,186	827,036	868,317
Intangible assets	15,142,498	14,521,664	13,713,264	13,174,044
Deferred tax assets	32,305,190	63,128,990	62,221,574	79,812,875
Other assets	27,210,520	36,898,743	24,426,969	55,721,250
Assets on insurance products-separate account	210,667,553	193,020,883	208,211,792	221,979,873
TOTAL ASSETS	5,289,280,946	5,275,911,027	5,386,446,640	5,587,995,609
LIABILITIES AND EQUITY				
Short-term debts	-	12,992,000	5,738,950	9,703,644
Payables	16,158,860	25,072,333	14,256,570	24,514,939
Current tax liabilities	4,162,599	892,165	3,048,691	1,297,085
Financial liabilities at fair value through profit or loss	1,250,127	16,085,125	5,287,505	53,621,151
Bonds payable	42,000,000	42,000,000	53,500,000	61,040,000
Insurance contract liabilities	4,405,863,000	4,585,938,400	4,627,810,413	4,707,668,214
Reserve for insurance with nature of financial instruments	501,767	642,763	956,348	1,186,250
Reserve for foreign exchange valuation	7,392,686	42,592,110	8,675,002	22,467,536
Provisions	4,623,419	3,315,273	3,840,130	3,814,498
Lease liabilities	20,879,263	19,498,235	32,921,416	29,554,940
Deferred tax liabilities	35,371,722	23,886,131	29,104,400	48,410,574

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	(audited)	(audited)	(audited)	(audited)
	(NT\$ thousands)			
Other liabilities.....	28,888,935	28,399,360	49,217,261	28,504,122
Liabilities on insurance products-separate account	210,667,553	193,020,883	208,211,792	221,979,873
Total Liabilities	4,777,759,931	4,994,334,778	5,042,568,478	5,213,762,826
Capital				
Common stock.....	138,219,000	138,219,000	138,219,000	138,219,000
Stock dividend to be distributed.....	-	-	-	8,773,460
Capital surplus.....	9,187,500	9,187,500	9,187,500	9,187,500
Retained earnings				
Legal reserve	26,593,210	38,585,413	45,092,928	49,419,333
Special reserve.....	142,760,508	180,792,687	210,506,837	218,536,970
Undistributed earnings	59,352,445	35,719,640	21,130,000	25,588,157
Other equity interest.....	135,408,352	(120,927,991)	(80,258,103)	(75,491,637)
Total Equity	511,521,015	281,576,249	343,878,162	374,232,783
TOTAL LIABILITIES AND EQUITY	5,289,280,946	5,275,911,027	5,386,446,640	5,587,995,609

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	(audited)	(audited)	(audited)	(audited)	(audited)
	(NT\$ thousands except for earnings per share)				
Operating Revenues					
Premium income from written policy	346,429,611	282,939,746	263,161,200	140,987,707	135,183,754
Reinsurance premium income.....	267,587	293,935	288,779	143,737	150,962
Premium income.....	346,697,198	283,233,681	263,449,979	141,131,444	135,334,716
Less: Reinsurance premium ceded.....	(6,689,131)	(6,504,266)	(6,581,703)	(3,165,542)	(3,045,237)
Net changes in unearned premium reserve	(764,968)	(1,082,191)	(1,320,407)	(1,287,000)	(1,495,460)
Retention Earned Premium Income	339,243,099	275,647,224	255,547,869	136,678,902	130,794,019
Reinsurance commission income.....	2,334,528	2,060,868	2,084,578	1,057,947	1,089,396
Fee income	2,147,652	2,036,003	2,125,828	1,026,992	1,131,811
Net Investment Incomes (Loss)					
Interest income	118,975,144	127,827,387	139,153,720	68,977,726	70,496,004
Gain (loss) on financial assets and liabilities at fair value through profit or loss.....	138,946,498	(319,735,977)	50,947,911	15,170,444	(67,097,121)
Realised gain (loss) on financial assets at fair value through other comprehensive income	34,562,400	1,162,220	(407,851)	1,885,287	909,724
Gain (loss) from derecognition of financial assets at amortised cost.....	4,682,493	1,624,785	506,501	1,051,696	(574,684)
Share of gain of associates and joint ventures accounted for using the equity method	662	2,215	268,093	92,814	268,833
Foreign exchange (loss) gain	(57,732,541)	230,985,353	1,765,362	32,048,341	132,186,939
Net change in reserve for foreign exchange valuation	(3,561,544)	(35,199,424)	33,917,108	8,273,118	(13,792,534)
Gain on investment property	2,325,688	2,082,280	1,755,524	1,019,894	948,710
Expected credit (loss) reversal on investment	923,320	(6,637,129)	(1,361,599)	(814,012)	(478,278)
(Loss) gain on reclassification using overlay approach	(27,494,410)	193,621,762	(44,834,450)	(34,143,245)	(15,742,672)
Subtotal.....	211,627,710	195,733,472	181,710,319	93,562,063	107,124,921
Other operating revenues	21,448	146,494	242,724	20,491	155,175
Revenue on insurance products-separate account.....	16,057,489	3,136,553	25,913,951	14,789,405	18,220,611
Total Operating Revenue	571,431,926	478,760,614	467,625,269	247,135,800	258,515,933
Operating Costs					
Claims and policy benefits payments.....	(275,112,896)	(330,553,698)	(344,392,412)	(161,094,935)	(176,161,424)
Less: Claims recovered from reinsurers.....	2,633,878	2,998,741	3,250,927	1,629,565	1,488,214
Retention Claims and Policy Benefits Payments	(272,479,018)	(327,554,957)	(341,141,485)	(159,465,370)	(174,673,210)
Net change in other insurance contract liabilities	(175,303,178)	(66,905,641)	(34,952,318)	(37,117,008)	(16,959,299)
Net change in reserve for insurance with nature of financial instruments.....	(216,257)	(134,195)	(313,845)	(166,916)	(223,179)
Underwriting expenses.....	(16,603)	(14,482)	(25,270)	(11,250)	(15,689)
Commission expenses.....	(16,677,671)	(17,510,903)	(16,144,374)	(8,332,500)	(8,609,394)
Other operating costs.....	(782,495)	(552,163)	(343,034)	(184,584)	(145,583)
Finance costs	(1,479,371)	(1,529,752)	(1,915,674)	(841,746)	(1,281,105)
Expenses on insurance products-separate account	(16,057,489)	(3,136,553)	(25,913,951)	(14,789,405)	(18,220,611)
Total Operating costs	(483,012,082)	(417,338,646)	(420,749,951)	(220,908,779)	(220,128,070)
Operating Expenses					
General expenses.....	(10,869,282)	(10,111,573)	(10,534,100)	(5,199,720)	(5,304,868)
Administrative expenses	(11,420,712)	(11,422,035)	(11,984,316)	(5,482,418)	(5,932,401)

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	(audited)	(audited)	(audited)	(audited)	(audited)
	(NT\$ thousands except for earnings per share)				
Employee training expenses.....	(23,932)	(17,294)	(22,934)	(7,306)	(6,769)
Expected credit (loss) reversal on non-investments	(7,468)	(5,846)	(17,496)	(14,942)	9,744
Total Operating Expenses.....	<u>(22,321,394)</u>	<u>(21,556,748)</u>	<u>(22,558,846)</u>	<u>(10,704,386)</u>	<u>(11,234,294)</u>
Operating Income	66,098,450	39,865,220	24,316,472	15,522,635	27,153,569
Non-Operating Income and Expenses	<u>26,630</u>	<u>(2,892)</u>	<u>83,832</u>	<u>63,107</u>	<u>(10,998)</u>
Profit from Continuing Operations before Income Taxes.....	66,125,080	39,862,328	24,400,304	15,585,742	27,142,571
Income Tax Expense	<u>(6,431,667)</u>	<u>(8,308,691)</u>	<u>(2,290,680)</u>	<u>93,949</u>	<u>(1,554,416)</u>
Net Income	<u>59,693,413</u>	<u>31,553,637</u>	<u>22,109,624</u>	<u>15,679,691</u>	<u>25,588,155</u>
Other Comprehensive Income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurement of defined benefit plans	369,419	1,278,466	(594,934)	-	-
Unrealised revaluation increments	-	-	80,453	-	28,175
Unrealised (loss) gain on equity instruments at fair value through other comprehensive income	738,850	(692,496)	542,270	360,135	609,288
Share of other comprehensive income of associates and joint ventures accounted for using equity method – items that may not be reclassified to profit or loss	-	-	(1,000)	(485)	234
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(163,799)	(180,510)	51,156	(42,048)	(71,236)
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation of foreign financial statements	(3,782)	13,700	1,040	1,814	4,411
Gain (loss) on debt instruments measured at fair value through other comprehensive income.....	(97,233,813)	(110,151,637)	1,140,302	162,454	(10,538,394)
Other comprehensive (loss) gain on reclassification using overlay approach.....	27,494,410	(193,621,762)	44,834,450	34,143,245	15,742,672
Share of other comprehensive income of associates and joint ventures accounted for using equity method – items that may be reclassified to profit or loss	-	-	860	2,269	5,578
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>13,313,829</u>	<u>48,001,836</u>	<u>(5,862,308)</u>	<u>(4,891,502)</u>	<u>(1,014,262)</u>
Other Comprehensive (Loss) Income, Net of Income Tax	<u>(55,484,886)</u>	<u>(255,352,403)</u>	<u>40,192,289</u>	<u>29,735,882</u>	<u>4,766,466</u>
Total Comprehensive Income (Loss)	<u>4,208,527</u>	<u>(223,798,766)</u>	<u>62,301,913</u>	<u>45,415,573</u>	<u>30,354,621</u>
Earnings Per Share ⁽¹⁾					
Basic and Diluted	<u>NT\$4.32</u>	<u>NT\$2.28</u>	<u>NT\$1.60</u>	<u>NT\$1.07</u>	<u>NT\$1.74</u>

Note:

- (1) For the six months ended 30 June 2023 and 2024, the number of outstanding weighted average shares when calculating the earnings per share was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the Company's shareholders' meeting in 2024. Accordingly, the Group's earnings per share may not be directly comparable against the Group's earnings per share information for the years ended 31 December 2021, 2022 and 2023.

KEY PERFORMANCE INDICATORS

The Company uses key performance indicators, including ratio of long-term and protection-oriented products, recurring investment yield before hedge and foreign exchange, investment yield after hedge and foreign exchange, return on average equity, first year premiums equivalent, policy persistency ration (13 months) and policy persistency ratio (25 months) to measure the scale and profitability of the Company's business. For a discussion of these metrics, see "Description of the Group – Overview". See "Risk Factors - Risk Factors Relating to The Business of The Group - A number of the Company's key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed" for a discussion of the relevant risks in relation to the above key performance indicators.

	As of and for the Years ended 31 December			As at and for the six months ended 30 June	
	2021	2022	2023	2023	2024
(in NT\$ Billions, except ratios)					
Ratio of Long-Term and Protection-Oriented Products ⁽¹⁾	30%	44%	54%	-	35%
Recurring Investment Yield before Hedge and Foreign Exchange ⁽²⁾	3.17%	3.21%	3.34%	3.23% ⁽⁸⁾	3.17% ⁽⁸⁾
Investment Yield after Hedge and Foreign Exchange ⁽³⁾	4.47%	3.83%	3.47%	-	2.87% ⁽⁹⁾
Return On Average Equity ⁽⁴⁾	11.7%	8.0%	7.1%	10.3% ⁽¹⁰⁾	14.3% ⁽¹⁰⁾
First Year Premiums Equivalent ⁽⁵⁾	28.7	28.2	25.6	13.6	13.0
Persistency Ratio (13 months) ⁽⁶⁾	97.51%	98.07%	97.39%	-	-
Persistency Ratio (25 months) ⁽⁷⁾	96.64%	96.53%	96.15%	-	-
Notes:					
(1) Ratio of Long-Term and Protection-Oriented Products is the total FYP contributed by the sales of traditional life products and accident/health products divided by the total FYP contributed by the sales of all products.					
(2) Recurring Investment Yield before Hedge and Foreign Exchange is calculated by dividing (A) the accumulated recurring investment income for the period by (B) average total investment for the period deducting the accumulated recurring investment income for the period.					
(3) Investment Yield after Hedge and Foreign Exchange is calculated by dividing (A) the investment income for the period which is the sum of accumulated net investment for the period, realised capital gains (losses) and net exchange (losses) by (B) average total investment for the period deducting investment income for the period.					
(4) Return On Average Equity is calculated by dividing net income for the year or reporting period by weighted average balance of total shareholders' equity during the year or reporting period (on an annualised basis).					
(5) First Year Premiums Equivalent is calculated by multiplying FYP with the payment period coefficient. The payment period coefficient for payment periods of six years or longer (inclusive) is calculated at 100 per cent. For payment periods shorter than six years, 50 per cent. discount is applied for a five-year payment, with a 10 per cent. discount for each payment period that is shorter by one year.					
(6) Persistency Ratio (13 months) is the annualised premium of policies (including main or supplementary policies) that have completed their 13th monthly premium payment and are in force at the end of the 15th month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period.					
(7) Persistency Ratio (25 months) is the annualised premium of policies (including main or supplementary policies) that have completed their 25th monthly premium payment and are in force at the end of the 27th month, divided by the initial annualised premium of policies (including main or supplementary policies) at the beginning of the period.					
(8) 30 June 2023 and 30 June 2024 investment yields are annualised except that the components of realised capital gains / losses and foreign exchange gains / losses are not annualised.					
(9) 30 June 2024 investment yield is annualised except that the components of realised capital gains / losses and foreign exchange gains / losses are not annualised.					
(10) Annualised ROAE is based on half-year net income.					

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer, the Guarantor and their subsidiaries and the industry in which the Groups operate together with all other information contained in this Offering Circular, including, in particular, the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Bonds" in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Issuer, the Guarantor or their subsidiaries that are not currently known to the Issuer, the Guarantor or their subsidiaries or that the Issuer, the Guarantor or their subsidiaries currently deem immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer, the Guarantor or their subsidiaries and, if any such risk should occur, the price of the Bonds may decline and investors may lose all or part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Offering Circular and their personal circumstances.

RISK FACTORS RELATING TO THE BUSINESS OF THE GROUP

The Group's business is inherently subject to market fluctuations, general economic conditions and geopolitical events globally.

The Group's business is inherently subject to global capital market fluctuations, general economic conditions and geopolitical events. The global economy has experienced uncertainty brought on by geopolitical events such as the trade negotiations between the PRC and the United States, political instability in the Middle East, Europe and various parts of the Asia-Pacific region, and the ongoing conflict in Ukraine and the conflict in Gaza and the Middle East. These events have affected the monetary and fiscal policies of governments globally, and may result in substantial volatility of equity and bond markets, fluctuations in interest rates, commodities prices, currency exchange rates, capital flows and credit spreads, and higher inflation, as well as reducing market liquidity and global economic activity. Global market factors, including inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, government actions taken in response, and regional and geopolitical instability and conflicts, the application of protectionist or restrictive economic and trade policies with specific markets, regulations and executive powers which increase trade barriers with specific markets or restrictive trade practices, financial transactions, transfer of capital and/or investment with specific territories, companies or individuals, all affect the business and economic environment and, ultimately, the amount and profitability of the Group's business.

Due to inflationary pressures, interest rates are expected to remain at elevated levels for the foreseeable future. The United States Federal Reserve has raised interest rates several times in 2022 and 2023. The United States Federal Reserve's interest rate has a significant influence on central banks globally. If market interest rates increase, surrenders and withdrawals of insurance policies and contracts may increase as policyholders seek other investments with higher perceived returns. This was the case in Taiwan in 2022 and 2023 where FYP decreased across the life insurance industry in Taiwan. This process may result in cash outflows and may require the Group to sell investment assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realised capital losses. Furthermore, any material fluctuations in interest rates may also increase the Group's interest burden on its future indebtedness and could have an adverse impact on the Group's ability to service its debt obligations. The interest rate environment and bank reserve ratio requirements in particular are likely to have an impact on the level of premiums written through the bancassurance channel. Bank customers may be less inclined to purchase insurance products if a high interest rate environment results in competing investment products offering higher yields, which was the case in 2023 where FYP in the Company's bancassurance channel decreased from NT\$25.7 billion in 2022 to NT\$16.7 billion in 2023. Tighter liquidity conditions may also lead to a poorer circumstance for bank distribution sales of insurance products.

In addition, upheavals in the financial markets can also affect the Group's business through their effects on general levels of economic activity, employment and customer behaviour. In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, lower business investment, increased corporate defaults, increased foreclosure on real estate companies, and lower consumer spending, the demand for

the Group's insurance and annuity products could be materially and adversely affected by lower levels of disposable income. The Group may experience an elevated incidence of claims and lapses or surrenders of policies. The Group's policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. In addition, such downturns generally result in lower interest yields and declines in stock prices and dividends from stocks, which negatively affect the Group's investment income. Accordingly, adverse or worsening economic conditions in the global economy could adversely affect the Group's business, financial condition and results of operations.

The Group expects competition in the insurance industry in Taiwan to increase, which may materially and adversely affect the growth of the Group's business.

The insurance business is highly competitive in Taiwan, which may drive the Group's pricing lower and profit margins lower. Competition with respect to the types of insurance in which the Group is engaged is based on many factors, such as underwriting expertise, reputation, market knowledge and experience in the lines written, premiums charged, as well as other terms and conditions of the insurer or reinsurance offered, services offered and speed of claims payment and perceived overall financial strength of the insurer or reinsurer. In Taiwan, the Group competes with a number of major players which may have greater financial resources than us. With increased competition, even if premium levels of the Group's businesses are not adversely affected, the underlying profit margins of the business sold may still be materially and adversely impacted, which may in turn materially affect the Group's business, financial condition and results of operations.

As an insurance company, the Group may need additional capital in the future, and there is no assurance that the Group would be able to obtain such capital in time or on acceptable terms.

In order for the Group to grow, remain competitive, enter new businesses, expand the Group's scale of operations or meet regulatory capital adequacy or solvency margin ratio requirements, the Group may need new capital in the future.

As the only subsidiary of Ruen Chen Investment Holdings Co., Ltd. ("**Ruen Chen**"), the Company has also benefited from the financial support from its shareholders and employees with two rounds of capital raising being conducted in 2012 and 2019 (based on the registration approval date), raising NT\$13.7 billion and NT\$24.5 billion, respectively. However, there is no guarantee that the Group's shareholders and employees would provide it with capital in the future in which case the Group's business, financial conditions and results of operations could be materially and adversely affected.

In addition, the Group's ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- the Group's future financial condition, results of operations and cash flows;
- the ability to obtain the necessary regulatory approvals on a timely basis;
- the Group's shareholders' ability to make continuous contributions;
- general market conditions for capital raising activities; and
- economic, political and other conditions in Taiwan and elsewhere.

The Group may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may only be on terms that are not favourable to the Group. Disruption in the financial markets may limit the Group's ability to access capital required to operate its business, and the Group may be forced to delay raising capital or bear a higher cost of capital, which could decrease its profitability and significantly reduce its financial flexibility. In addition, if the Group experiences a credit rating downgrade, withdrawal or negative watch/outlook in the future, the Group could incur higher borrowing costs and may have more limited access to raising capital. Any difficulties in raising additional capital could materially and adversely affect the Group's business, financial conditions and results of operations.

The Group may need to reduce its growth or business scale if its RBC adequacy ratio deteriorates or the applicable capital requirements change in the future.

Pursuant to Article 143-4 of Taiwan Insurance Act ("**Insurance Act**") and related regulations, a Taiwanese insurance enterprise's ratio of self-owned capital to risk based capital ("**RBC**") should currently be not lower than

200% and its net worth ratio should not be lower than 3%. Risk based capital adequacy requirements require insurance companies to hold adequate capital to cover their exposures to interest rate risk, financial market risk, credit risk and operational risk as well as insurance risk by reflecting such risks in their calculation of required capital.

While the Guarantor's and Nan Shan General Insurance Company, Ltd.'s ("**Nan Shan General Insurance**") respective RBC adequacy ratios are both currently significantly above the required level, if the Group grows rapidly or if its asset quality deteriorates in the future, it may need to raise additional capital to meet capital adequacy requirements. If the Group is not able to raise any additional required capital, it may be forced to reduce the growth or scale of its business. There is also no guarantee that the Guarantor and Nan Shan General Insurance will not be required to raise additional capital to sustain its RBC adequacy ratio above the required level in connection with the future implementation of the Taiwan International Insurance Capital Standard ("**TW-ICS**") or any other solvency regime. Any material deterioration in the Guarantor's and Nan Shan General Insurance's respective RBC adequacy ratios could change the customers' or its business counterparties' perception of its financial health, which in turn could adversely affect its business, financial condition and results of operations. See "*Regulation and Supervision of the Taiwan Life Insurance Industry*" for further discussion.

Changes in accounting standards may adversely affect the Group's financial condition.

The consolidated financial statements of the Group are prepared and presented in accordance with the Taiwan-IFRS. Taiwan-IFRS differs from IFRS Accounting Standards in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS Accounting Standards may not be timely endorsed by the FSC. From time to time, the Group is also required to adopt new or revised accounting standards as accounting standard setters issue new guidance intended to interpret or revise accounting pronouncements and expand or amend disclosure requirements.

In particular, two key accounting standard changes have been adopted with effect from 1 January 2023 – IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments. The adoption of IFRS 9 became compulsory in Taiwan in 2018 and IFRS 17 standard is scheduled for adoption in 2026.

IFRS 9 addresses several aspects of accounting for financial instruments, including the classification, recognition and measurement of financial assets and financial liabilities.

IFRS 17 introduces a fundamentally different approach to previous accounting policies under IFRS 4 in terms of both liability measurement and profit recognition. Under IFRS 17, insurance contract liabilities will no longer be calculated based on historical or past assumptions but based on the present value of future insurance cash flows using a discount rate reflecting current interest rates and the characteristics of the insurance contracts, with a risk adjustment and deferral of unearned profits. In addition, under IFRS 17, certain parts of premium income from insurance contracts will be recognised over the coverage period in proportion to the value of expected coverage and other services that the insurer will provide over such period, rather than recognised at the time of receipt of premium payments, and the investment component of an insurance contract (which refers to amounts to be repaid to policyholders even if the insured event does not occur) will be disaggregated and excluded from premium income. Such changes to revenue recognition methodology will likely have the effect of, among other things, reducing the reported revenue from the Group's insurance operations.

IFRS 17 and IFRS 9 are complex accounting standards that require considerable judgement, complex modelling, assumptions and interpretation in their implementation. As such, the required quantitative disclosures are subject to significant estimation uncertainty and the associated inherent risk is significant. See note 3 to the Group's audited consolidated financial statements for the year ended 31 December 2023 included elsewhere in this Offering Circular for further information. The Group will regularly conduct sensitivity analysis and RBC assessment in accordance with the disclosure standards on financial statements under IFRS 17, covering insurance risks (mortality rate, morbidity rate, expense ratio and withdrawal/surrender ratio) and market risks (interest rate, equities and exchange rates) to evaluate the potential impact from the changes in risk variables on the profit and loss to be recognised for its insurance products. However, there is no guarantee that such analysis will successfully prepare the Group for the eventual adoption of IFRS 17.

It is also possible that accounting standards could change further in future, which could have a material adverse effect on the Group's financial condition and/or impact the reporting of its results of operations. Furthermore, the implementation of such changes could result in significant implementation costs and operational difficulties and affect the comparability of the Group's results of operations and financial condition before and after the implementation of such changes.

Volatility in interest rates, and the current interest rates in certain markets, could have an adverse effect on the Group's business, financial condition, liquidity and results of operations

The profitability of some of the Group's products and the Group's investment returns are highly sensitive to interest rate levels and fluctuations, and changes in interest rates could adversely affect the Group's investment returns and results of operations. In periods of rising interest rates, increased investment yields will increase the returns on newly added assets in the Group's investment portfolios, but surrenders and withdrawals of existing insurance policies may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realised investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in net income. In addition, the demand for the Group's life insurance products, in particular the traditional savings insurance policies, may decrease as investors seek more profitable alternatives. Moreover, a rise in interest rates would adversely affect the Group's shareholders' equity in the immediate fiscal year due to a decrease in the fair value of the Group's fixed income investments. Such adverse effects would directly and adversely impact the regulatory solvency margin ratios of the Group's insurance operations.

Conversely, as interest rates decrease or remain at low levels, the Group may be forced to divest the newly added assets in its investment portfolio and reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, reducing the Group's investment margin and adversely affecting the Group's profitability. Moreover, borrowers may prepay or redeem fixed income securities or other loans in the Group's investment portfolio with greater frequency in order to borrow at lower market rates, which exacerbates the risk exposure of the Group. In addition, in a low interest rate environment, the Group's saving insurance policies, fixed annuities and other insurance products offered with a higher guaranteed rate of return at a time of prevailing high market interest rates may result in the actual rates of return on the Group's life insurance operations' investments intended to support its obligations with respect to such products declining below the assumed rates of return used in pricing such insurance products. The difference between the guaranteed return rates on such products and market interest rates may result in a negative spread on such products, which would adversely affect the Group's overall profitability. Accordingly, low or declining interest rates may materially affect the Group's financial position, results of operations and cash flows and significantly reduce the Group's profitability.

The Group also seeks to manage interest rate risk by matching, to the extent possible, the duration of its interest-bearing liabilities, such as its life insurance policy liabilities, and its interest-earning assets supporting such liabilities. Matching the duration of its assets to their related liabilities reduces the Group's exposure to changes in interest rates, because the effect of such changes on its interest-earning assets and interest-bearing liabilities will be offset against each other to a certain degree. Historically, the availability of long-term fixed income securities in the Taiwan's financial markets has been limited, which has generally resulted in the average duration of interest-earning assets being shorter than that of interest-bearing liabilities of Taiwan's life insurance companies. In addition, while investing in interest-earning assets outside of Taiwan may enhance the Group's ability to match the duration of its assets to their related liabilities, the resulting mismatch in currencies may increase the Group's exposure to changes in exchange rates.

The Group's business and performance are dependent on the effectiveness of its distribution and marketing channels.

The Group's distribution channel adopts the twofold agency and bancassurance model for the distribution and marketing of its insurance products. There is no assurance that the efforts of the Group's agency force or of its bancassurance or other intermediated channels will be successful.

The Group faces competition to attract and retain agency leaders and individual agents. It competes with other companies for the services of agents on the basis of its reputation, product range, compensation, training and support services. If the Group is unable to retain, motivate and manage its core group of highly productive agents, or if it is unable to recruit and train productive new agents, its business, financial condition and results of operations could be materially and adversely affected. Competition for agents from other life insurance companies, large-sized independent insurance sales agencies and other institutions may also require the Group to enhance the compensation of its agents, which would increase its operating costs and reduce its profitability. The Group also faces channel concentration risk in its bancassurance model. The Company's top five bancassurance partners contributed to 70% and 89% of the Company's FYP generated by all bancassurance partners in 2022 and 2023, respectively. Although the Group is diversifying its bancassurance distribution channels, there is no guarantee that it will be able to do successfully.

To the extent the Group is not able to maintain its existing distribution relationships or diversify or secure new distribution relationships, it may not be able to maintain or grow its premiums, which may materially and adversely affect its business, financial condition and results of operations.

Concentration of the Group's investment portfolio in any particular asset class, market or segment of the economy may increase the Group's risk of suffering investment losses.

The Group's investment portfolio comprises of primarily equity securities, beneficiary certificates, and the Group holds significant amounts of overseas fixed income securities. As of 31 December 2021, 2022 and 2023 and 30 June 2024, the Company's overseas fixed income investment comprise 59.8 per cent., 64.3 per cent., 64.4 per cent. and 65.8 per cent., respectively of total financial assets. Among total financial assets, financial assets at fair value through other comprehensive income investments ("FVOCI") and financial assets measured at amortised cost are measured at amortised cost and financial assets at fair value through profit or loss ("FVTPL") are measured at fair value. The Group's principal investment targets include long-term sovereign bonds and investment-grade corporate/financial bonds of European and American countries and selected emerging market countries. Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographic region may have a negative effect on the Group's investment portfolio to the extent that the Group's portfolio is overly concentrated in the particularly affected industry or industries, asset class or geographic region. With the world's economies and financial markets becoming increasingly interconnected and interdependent, crises in one geography or one area could now easily negatively impact other geographies or areas, in which the Group may have investment exposure. Any adverse impact may increase the risk of negative mark to market movements of the Group's investments held for sale. These types of concentrations in the Group's investment portfolio increase the risk that, in the event the Group experiences a significant loss in any of these investments, the Group's financial condition and results of operations would be materially and adversely affected.

The Group's investment counterparties, including issuers of the overseas fixed income securities it holds, may be unable to perform their obligations to the Group due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. The Group is also exposed to the risk that it may not be able to enforce its rights against its counterparties in all circumstances. The Group may not have adequate risk control capabilities to effectively identify and control potential credit risks. This could lead to a decrease in the fair value of the Group's overseas fixed income securities, as well as its other investment assets, thereby resulting in impairment losses. Although the Group attempts to minimise these risks by diversifying its investments, improving its credit analysis skills and staying informed on the changes of interest rates, the Group may not be able to identify and mitigate credit risks successfully and the potential fair value losses or realised losses on its investment and any significant downgrading of the securities the Group holds could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, there may not be a liquid trading market for certain of the Group's investments, which is in turn affected by numerous factors, including the existence of suitable buyers and market makers, market sentiment and volatility, the availability and cost of credit and general economic, political and social conditions. If the Group were required to dispose of these or other potentially illiquid assets on short notice, the Group could be forced to sell such assets at prices significantly lower than the prices the Group has recorded in its consolidated financial information.

Investing and trading in overseas fixed income securities expose the Group to additional risks, including risks related to global financial markets and fluctuations in foreign exchange rates.

The Group's investment portfolio consists primarily of overseas fixed income securities, which are predominantly denominated in U.S. dollars. Although the Group has experienced strong performance in securities investment, investing and trading in overseas fixed income securities require more specialised investment and risk management expertise, which the Group may not be able to develop and maintain. Furthermore, the market value of the overseas fixed income securities in which it decides to invest could decrease significantly due to various factors, including declines in foreign stock markets, increases in global interest rates, a lack of liquidity, a deterioration in the operating performance or financial condition of particular issuers or of the overseas local or global economy in general. Accordingly, the Group's investments in overseas fixed income securities may lead to trading and valuation losses, which could adversely affect its results of operations and financial condition.

Furthermore, the Group may incur foreign exchange losses on its investments denominated in U.S. dollar. Appreciation of the NTD reduces the NTD value of the Group's overseas fixed income securities. Although the Group generally seeks to hedge the exchange rate risk arising from its investments in overseas fixed income securities through derivative financial instruments, its hedging activities relating to its investments denominated

in foreign currencies may not be fully effective, and its investment results may be subject to exchange rate risk, as well as other risks and volatility affecting overseas capital markets. Future movements in the exchange rate of the NTD against the U.S. dollar may result in foreign exchange losses or losses on its hedging instruments, which may adversely affect its results of operations and financial condition.

The Group is subject to exchange rate fluctuations owing to the geographical concentration of the Group's business.

The Group's investment portfolio consists primarily of overseas fixed income securities, which are predominantly denominated in U.S. dollar. The gain and loss of the Group's overseas investments are affected by NTD exchange rate fluctuations, including negative contribution from NTD strengthening and positive contribution from NTD weakening. As the Group's profit and loss may fluctuate significantly due to exchange rate fluctuations, currency hedging has been implemented by the Group to address such fluctuations.

However, due to the negative NTD/ U.S. dollar interest rate spread, currency hedging will incur additional hedging cost as well as fluctuations in gain or loss from measurement of hedging tools. Accordingly, it is necessary to dynamically adjust hedging ratios according to the NTD movements, by raising such ratio when NTD strengthens to reduce its negative impact on gain or loss or maintaining a relatively low ratio when the NTD weakens to save hedging costs.

To align closely with the NTD movements, the Group's Foreign Exchange Management Department is responsible for analysing macroeconomic trends, such as the global economic climate and monetary policies published by Federal Reserve Bank of New York, aiming to manage the Group's foreign exchange risks effectively based on the exchange rate trends. Adjustments to the Group's reserve for foreign exchange price fluctuations are also made from time to time in accordance with the Group's policy – Precautions on the Reserve for Foreign Exchange Price Fluctuations.

Although the Group generally seeks to hedge the exchange rate risk arising from its investments in overseas fixed income securities through derivative financial instruments, its hedging activities relating to its investments denominated in foreign currencies may not be fully effective, and its investment results may be subject to exchange rate risk, as well as other risks and volatility affecting overseas capital markets. Future movements in the exchange rate of the NTD against the U.S. dollar may result in foreign exchange losses or losses on its hedging instruments, which may adversely affect its financial condition, results of operations and prospects.

Differences between actual claims experience and the assumptions used in pricing and setting reserves for the Group's insurance products may materially and adversely affect the Group's financial condition and results of operations.

The Group's earnings depend significantly on the extent to which the Group's expected payout of benefits and claims results are consistent with the assumptions and estimates the Group uses, such as expected investment return, loss ratio, expense ratio, mortality, morbidity and lapse and surrender rates, among other assumptions, in setting the prices of and establishing the reserves for the Group's products. If the Group's actual experience differs unfavourably from the estimates and assumptions used in the Group's pricing and reserving, the profitability of the Group's insurance products may be materially and adversely affected.

The Group prices its products based on a number of assumptions and estimates that the Group derives from the Group's experience data, industry data, past and then current market conditions and relevant regulations, among others. If the actual market conditions following the launch of the Group's products are significantly less favourable than the Group's assumptions and estimates used in pricing, the distribution and the profitability of the Group's products may be materially and adversely affected, which may, in turn, materially and adversely affect the Group's financial condition and results of operations. The Group's assumptions and estimates may also deviate from its actual experience due to various factors that are beyond its control, including as a result of unexpected changes in the scope of coverage by the Taiwanese national health insurance program or unfavourable re-interpretations of its life insurance policy terms by Taiwanese courts or regulators, as well as advancements in health care that result in increased life expectancy and early detection of diseases. In addition, the occurrence of unexpected catastrophic mortality events in Taiwan, including pandemics, natural or man-made disasters or terrorist attacks, may result in claims that significantly exceed the Group's expectations. As a result, the Group cannot determine with precision the ultimate amounts that it will pay for, or the timing of payment of, actual benefits and claims or whether the assets supporting the life insurance policy liabilities will grow to the level it assumes prior to payment of benefits or claims.

The Group establishes reserves for its products based on relevant regulatory requirements and experience data of the insurance industry and the Group itself. However, estimation of reserves is a complex process, involving many variables and subjective judgments, due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of liabilities for unpaid policy benefits and claims. The estimated amounts of benefits to be paid to policyholders may deviate significantly from the actual claims results. If the reserves originally established prove to be inadequate, the Group must incur additional expenses in the form of claims and payments, to the extent the actual amounts exceed the estimated amounts, or the Group may be required to increase its reserves for future policy benefits, resulting in additional expenses in the period during which the reserves are established or re-estimated, which may have a material adverse effect on the Group's financial condition and results of operations.

Reinsurance may not be available, affordable or adequate to protect the Group against losses.

As part of the Group's overall risk management strategy, the Group purchases reinsurance for certain risks underwritten by the Group's businesses. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond the Group's control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also fluctuate. Any decrease in the cost of reinsurance due to, for example a decrease in the coverage of reinsurance, may increase the Group's risk of loss and any increase in the cost of reinsurance will reduce the Group's earnings. Accordingly, the Group may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the Group's ability to write future business or result in the assumption of more risk with respect to those policies the Group issues.

Reinsurance does not relieve the Group of its direct liability to its policyholders, even when the reinsurer is liable to it. Accordingly, the Group bears credit risk with respect to its reinsurers. Although the Group endeavours to choose reinsurers with good credit rating, there is no guarantee that such reinsurers will not suffer significant losses or other events rendering them unable to fully meet their obligations to the Group. Although a reinsurer is liable to the Group to the extent of the risks reinsured, the Group remains liable for those transferred risks if the reinsurer is unable to perform its contractual obligations. The Group's reinsurers may default on their obligations to the Group due to various reasons such as bankruptcy, lack of liquidity, downturns in the economy, operational failure, or fraud. The Group is also subject to the risk that its rights against the reinsurers may not be enforceable in all circumstances. As a result, although the Group seeks reinsurance arrangements only with reputable and creditworthy reinsurers, a default by a reinsurer who assumes significant underwriting risks from the Group could expose it to significant losses and could therefore materially and adversely affect its business, financial condition and results of operations.

The Group's risk management and internal control systems may be inadequate or ineffective in identifying or mitigating risks that it is exposed to.

The Group has established comprehensive risk management and internal control systems. The Group has also adopted policies, procedures and risk management methods, which are believed to be appropriate for the Group's business operations, and the Group further seeks to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including identification and evaluation of risks, internal control variables and the communication of information, there is no assurance that such systems will be able to identify, mitigate and manage the Group's exposures to risks. Given the state of constant, rapid change in the economy, insurance industry and financial markets in Taiwan, and the rapid change and growth in the Group's operations, assets and investment portfolio, the Group requires more time to fully evaluate and assess their adequacy and effectiveness. As a result, the Group may need to establish and implement additional risk management and internal control policies and procedures to further improve the Group's systems from time to time.

The Group implements its risk management and internal controls by using a series of risk management methods to monitor financial markets, credit, liquidity, operational and asset liability matching risks. These methods suffer from inherent limitations as they are generally based on statistical analysis of historical data as well as the assumption that future risks will share similar characteristics with past risks. There is no assurance that such assumption is accurate. The Group's information technology system may not be adequate in collecting, analysing and processing data, and it may not have enough capacity to handle the rapid growth of the Group's businesses. In addition, the Group's historical data and risk management experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, the Group's risk management methods and

techniques may not be effective in directing the Group to take timely and appropriate measures in risk management and internal controls.

The Group's risk management and internal controls also depend on the effective implementation by the Group's employees. Due to the scale of the Group's operations, the Group's large number of agents, professional personnel and the number of the Group's branch entities in different locations, there is no assurance that such implementation will not involve any human errors or mistakes, which may materially and adversely affect the Group's business and results of operations.

The diversification of the Group's insurance product offerings and investments will also require the Group to continue to enhance its risk management capabilities. If the Group fails to implement timely adaptations to its risk management policies and procedures to the Group's changing business and investment initiatives, the Group's business, financial condition and results of operations could be materially and adversely affected.

Derivative transactions may expose the Group to unexpected risk and potential losses.

The Group engages in derivative transactions such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps for the purpose of hedging its exposures to exchange rate risk from investments. Derivative contracts create exposure to the instruments or measures underlying such contracts and may lead to unexpected losses. Accordingly, in the event that market measures such as exchange rates move in directions that the Group does not anticipate, it may experience losses on such contracts.

Derivative transactions also expose the Group to the credit risk of transaction counterparties. Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, the Group is subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

The Group may not be able to detect or prevent fraud or other misconduct by the Group's directors, senior management, officers, employees, agents, customers or other third parties in a timely manner, or at all.

The Group may be subject to fraud and other misconduct committed by the Group's employees, agents, customers or other third parties, including insurance policy fraud (where fraudulent misstatements or omissions of fact are made in applications for insurance products by customers), insurance claims fraud (where fraudulent misstatements or omissions of fact are made in an effort to make or exaggerate claims under existing policies) and the intentional staging of accidents or other covered events in an effort to collect insurance payments, as well as the fraudulent execution of insurance contracts by the Group's agents to collect sales commissions. While the Group has implemented, and continues to implement measures aimed at detecting and preventing employees' and outside parties' fraud and other misconduct, the Group may not be able to detect or prevent such fraud or misconduct in a timely fashion or in all of the Group's subsidiary and branch entities, which may harm the Group's reputation and adversely affect the Group's business, results of operations and financial condition. Moreover, given the size of the Group's operations and the number of agents and employees, the Group's existing measures and systems may not be able to adequately detect and monitor such potential fraud and misconduct. Any fraud or other misconduct committed by or relevant investigations of former directors, senior management, officers, agents or employees previously associated with the Group, may also adversely affect the Group's reputation, business, result of operations and financial condition, even if the actions are unrelated to the Group or the investigation is unfounded.

Agents' misconducts are difficult to deter and could harm the Group's business and performance.

The misconduct by the Group's agents could result in its violations of law, regulatory sanctions or legal claims against the Group and reputational or financial harm to the Group. Misconduct could include:

- engaging in misrepresentation or fraudulent activities when marketing or selling life insurance or investment products to customers;
- defective sales of life insurance or investment products due to failure to adequately explain product information and related risks to customers, including omission of information deemed material to making a purchasing decision;
- encouraging or advising customers to omit or misrepresent material information or developments, which could undermine the Group's insurance underwriting procedures and practices;

- hiding unauthorised activities, resulting in unknown and unmanaged risks or losses; or
- otherwise not complying with applicable laws, regulatory guidance or policies, or the Group's internal policies or procedures.

The Group has the third largest agency force among all life insurers in Taiwan. As of 30 June 2024, the Company had around 36,000 agents in Taiwan. While the Group closely monitors its agents' activities to detect any such unauthorised activities, the Group cannot always manage their behaviours or deter their misconducts given its large amount of agents, and the precautions it takes to prevent and detect these activities may not be effective in all cases. The Group has experienced agent misconduct that has resulted in internal disciplinary action against, or termination of, agents in question. There is no assurance that agent misconduct or the Group's failure to detect and address such misconduct will not harm its reputation or lead to a material adverse effect on its business, results of operations and financial condition.

The growth of electronic transactions and the introduction of new technologies may result in increased competition.

The growth of electronic commerce and the introduction of new technologies are changing the Taiwanese life insurance industry and presenting the Group with new competitive challenges. For example, an increasing number of life insurance policies are being sold directly online by small- and mid-sized insurance companies without the use of more traditional distribution channels such as financial planners or general agencies and at a lower cost to customers.

The Group expects the trend towards growth of electronic transactions will continue, and it has invested significant resources into the development of online and mobile business platforms in recent years. Since the launch of the Company's online insurance business in 2015, its number of registered online members exceeded 1.38 million as of 31 December 2023. The Group continuously seeks to expand and upgrade its mobile insurance and websites, however, there is no assurance that the Group's online and mobile business platforms will remain competitive or that they will yield an adequate return on the Group's investments.

The Group's expansion into new areas of business and new distribution channels may subject the Group to additional risks and uncertainties.

From time to time, the Group may enter into new areas of business or explore new distribution channels. The Group may invest significant capital, time and resources in such efforts. The introduction and development of new areas of business and/or new products or services may not be completed in accordance with the expected timetables, and the pricing and profitability targets may not prove accurate and feasible. The Group in fact may incur operating losses in these new areas which may materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, expansion into any new areas of business and/or any new distribution channel could have a material adverse effect on the effectiveness of the Group's internal control system to the extent the Group fails to effectively adapt its internal controls to such new businesses or distribution channels.

In addition, to be more competitive in Taiwan's insurance market, the Group intends to promote cross-selling opportunities by leveraging its diverse product offerings and its distribution channels. However, there is no assurance that cross-selling will attract more customer demand, and the failure to attract more customer demand may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business generates and processes a large amount of data, and any improper use or disclosure of such data could subject it to significant reputational, financial, legal, and operational consequences.

The Group's business generates and processes a large quantity of transaction data. The Group faces risks inherent in handling large volumes of data and in protecting the security of such data. In particular, the Group faces a number of challenges relating to data from transactions and other activities on the Group's platforms, including:

- protecting the data in and hosted on the Group's system, including against attacks on the Group's system by outside parties or fraudulent behaviour by the Group's employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and

- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

If the Group is hacked or is under a network attack or a denial-of-service attack or suffers from any other security breaches or system failure, personal, confidential or proprietary information being sent to or received from a client or counterparty may be intercepted, which could result in legal liability, regulatory action and reputational harm. Any failure, or perceived failure, by the Group to comply with its privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against it by governmental entities or others. These proceedings or actions may subject the Group to significant penalties and negative publicity, require the Group to change its business practices, increase its costs, and severely disrupt its business.

Current or future litigation and regulatory procedures could result in reputational harm, financial losses or harm the Group's businesses.

The Group is involved from time to time as part of its ordinary course of business in litigation involving the Group's insurance operations. In addition, the ROC governmental agencies, including the insurance, tax, commerce and industrial administration and audit bureaus, has from time to time made inquiries and conducted examinations or investigations concerning the Group's compliance with relevant local laws and regulations. Further, certain of the Company's insurance agents have asserted the existence of an employment relationship and demanded payment of pension. On 21 October 2016, the Supreme Court of the Republic of China issued its interpretation on the matter, stating the key criteria to decide the existence of an employment relationship is whether the insurance agents are free to decide on the method of payment of the services provided and will bear business risks. Since the Company's insurance agents fulfil such key criteria, the Company has determined that no employment relationship exists with its insurance agents. However, a small number of the Company's insurance agents have continued to assert the existence of an employment relationship. As a result, the Company may continue to be involved in litigation or administrative proceedings arising as a result. If the Company is not able to defend such proceedings or to effectively resolve such difference with its insurance agents, the Company's business, financial condition and results of operations may be adversely affected.

The litigation and administrative proceedings have in the past resulted in payments of insurance benefits, damage awards, settlements or administrative sanctions, including fines, which have not been material to the Group. In response to the past litigation and administrative proceedings that were resolved, the Group has implemented specific policies, training and report mechanisms targeting to strength internal controls. Additionally, the Group currently has control procedures in place to monitor the Group's litigation and regulatory exposure, and to take appropriate actions. While the Group cannot predict the outcome of any pending or future litigation, examination or investigation, the Group does not believe that any pending legal matter will have a material adverse effect on the Group's business, financial condition or results of operations. However, there is no assurance that any future litigation or regulatory proceeding will not have a material adverse outcome, which could have a material adverse effect on the Group's reputation, business, financial condition, results of operations or cash flows.

Catastrophes could result in significant losses and disruptions to the Group's business operations.

The Group is exposed to the risk of unpredictable liabilities for insurance claim payments in the event of unpredictable catastrophic events in Taiwan, such as the COVID-19 pandemic, earthquakes, typhoons, fires and explosions, wars, foreign attacks, terror attacks or man-made disasters.

Such catastrophes could result in significant disruptions to the Group's business operations. Although the Group carries some catastrophe contracts and engages in reinsurance to reduce its catastrophe loss exposure, there is no guarantee that such exposure could be effectively reduced. Due to limitations in the underwriting capacity and terms and conditions of the reinsurance market as well as difficulties in assessing its exposure to catastrophes, if such catastrophic event were to occur, the Group's business, financial condition and results of operations may be materially and adversely affected.

Work stoppages and other labour-related issues may adversely affect the Group's operations.

The Group's performance depends to a large extent on favourable labour relations with its employees and agents. Although the Group has built up a harmonious labour-management relationship, there can be no assurance that new collective bargaining and wage agreements will be negotiated or consultations will take place without discord

with its labour unions or on terms satisfactory to the Group. If the Group is unable to negotiate successfully with its labour unions, it may become subject to union-initiated work stoppages, including strikes.

From time to time the Group may also become subject to demands, claims or legal actions brought by its employees, agents or the Group's labour unions acting on their behalf. In the past, the Company was involved in litigation or administrative proceedings with its insurance agents. See "*Current or future litigation and regulatory procedures could result in reputational harm, financial losses or harm the Group's businesses*" for further information. Any significant increase in labour and labour-related legal costs, deterioration of employee relations, slowdowns or work stoppages, as well as the Group's failure to attract and retain qualified employees, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on its business, reputation, results of operations and financial condition.

The Group depends on its board of directors, senior executives and other key employees for its operations and the growth potential of the Group's business.

The Group's success is, to a significant extent, attributable to the Group's directors, who have an in-depth knowledge and understanding of the insurance business as well as the markets in which the Group operates. The Group is also dependent on the sound underwriting, product development, risk control, business development, investments and actuarial expertise of the Group's senior executives and other key employees. The competition for qualified technical, investments, sales and managerial personnel in the insurance sector in Taiwan is intense. The Group's continuing success will depend on the Group's ability to retain and hire suitably qualified and experienced management and key employees and the loss of their service could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be unable to successfully manage its growth.

The Group's future growth may place significant demands on the Group's managerial, operational and capital resources. The expansion of the Group's business activities exposes the Group to various challenges, including, but not limited to:

- continuing to expand and train actuarial staff and to enhance actuarial capabilities;
- continuing to expand, train and retain the agency force, while maintaining costs and productivity at optimal levels;
- continuing to expand, train and retain investment professionals who have the expertise and experience to invest in existing and new asset areas, as the regulatorily permissible asset classes for investments broadens and the scale of the asset management operations increases;
- continuing to develop adequate underwriting and claims settlement capabilities and skills;
- recruiting, training and retaining personnel with proper experience and knowledge;
- meeting higher requirements for cost controls, meeting the demand for a broader capital base and satisfying an on-going need to meet the minimum capital adequacy requirements; and
- strengthening and expanding the Group's risk management and information technology systems to effectively manage the risks associated with existing and new lines of insurance products and services and increased marketing and sales activities, as well as risks associated with the investment portfolio.

There is no assurance that the Group will manage its growth successfully. In particular, the Group may not be able to rapidly recruit and effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of the Group's business. In addition, the Group may not be able to exercise effective centralised management and supervision over the Group's subsidiary and branch entities if the Group's internal control and information technology systems are not developed quickly enough to accommodate the Group's growing business needs.

In addition, to the extent the Group pursues its growth strategy through acquisitions, there is no assurance that the Group will be able to identify and secure suitable acquisition opportunities or that the Group will be able to implement its strategies and policies in respect of acquired entities in a timely fashion. Furthermore, any particular acquisition may not produce the intended benefits. For example, the Group may not be successful in integrating any future acquisition with the Group's existing operations and personnel, and the process of integration may

cause unforeseen operating difficulties and expenditures and may require significant attention from the Group's management that would otherwise be available for the on-going development of the Group's business. If the Group encounters difficulty in integrating an acquisition, the Group's business, financial condition and results of operations may be materially and adversely affected.

The valuation attached to the Company's investment properties contains assumptions that may or may not materialise and the value of the Company's holding of investment properties may fluctuate.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's investment properties were stated at fair value of NT\$193,668 million, NT\$192,827 million, NT\$213,136 million and NT\$207,132 million, respectively. The Company reassesses the fair value of the Company's investment properties at every reported statement of financial position date by using valuation techniques, including income approach, comparison approach and cost approach. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. Accordingly, the valuations are not a prediction of the actual value the Company can realise from these investment properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. In addition, the Company's consolidated statement of comprehensive income includes fair value adjustment of investment properties. A decrease in the value of the investment properties could reduce the Company's net income. An upward change in the fair value, which reflects unrealised capital gains at the relevant statement of financial position dates, does not generate cash inflow to the Company until such investment properties are disposed of. Any further adverse development in the condition of the market may have an adverse impact on the selling prices of and the time it will take to sell the Company's investment properties.

A downgrade in the ratings assigned to the Group could adversely affect the Group's ability to write new business, raise funds and may adversely impact the Group's existing business.

The Company is rated "A-" with a stable outlook by Fitch for insurer financial strength and "BBB+ with a stable outlook by S&P for international credit rating. These ratings are important factors in establishing a competitive position in the insurance industry. Insurer financial strength ratings measure a company's ability to meet its insurance obligations. Credit ratings measure a company's ability to repay its debt obligations and directly affect the cost and availability of unsecured financing. Ratings are subject to periodic review at the discretion of the rating agencies and may be revised downward or revoked at their sole discretion.

The Group's ratings could be downgraded at any time and without notice. There is no assurance that members of the Group will improve or maintain their ratings, and any potential downgrade in the ratings assigned to the Group companies by rating agencies could adversely affect the Group's business.

The Group is exposed to the risk of failures in its information technology systems.

The operation of the Group's business depends on the efficient and uninterrupted operation of its information technology systems. The Group's information technology systems are vulnerable to damage or disruption from various factors, including but not limited to, power loss, telecommunications failures, computer denial of service attacks, data corruption, network failure, computer viruses, security breaches, natural disasters, theft, vandalism, fraud or other acts not within its control. Inadequacies or failures of the Group's information technology systems could impair its collection, processing or storage of data and the day-to-day management of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, given the size of the Group's operations, the Group's information technology systems may not have enough capacity and capability to handle the information technology needs of a larger entity.

Misinformation (inaccurate information) and disinformation (information deliberately created for the purpose of harming individuals, social groups, organisations, or countries) are widely disseminated through media networks. The misinformation and disinformation will significantly influence public opinion and lead to customer distrust of companies. Furthermore, with the rapid development of generative AI technology, it may be abused to create misinformation or disinformation and for unfair competition, affecting the Group's reputation, operations, or policyholders' rights. Spreading misinformation or disinformation about a company may cause customers to lose trust in the company, resulting in contract termination or a decline in sales and premium income, and damage to the Group's goodwill. If it cannot be handled timely and effectively, it may cause significant financial losses or affect the Group's normal operations.

A number of the Company's key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed.

The key performance indicators set out in "*Selected Financial Information*", including ratio of long-term and protection-oriented products, recurring investment yield before hedge and foreign exchange, investment yield after hedge and foreign exchange, return on average equity, first year premiums equivalent and the persistency ratio, are used to measure the scale and profitability of the Company's business. The calculation of such key performance indicators involves some assumptions including interest rate, investment yield, mortality, morbidity, lapse and surrender, expense ratio, commissions and policyholder dividends, among other things. As a result, actual future experience may differ from those assumed in the calculations, and these differences may be material.

Since the Group's actual market value is determined by investors based on a variety of information available to them, these values should not be construed to be a direct reflection of the Group's actual market value and performance. For these reasons, prospective investors should only consider these values after carefully evaluating all of the risks described in the Offering Circular, including the risks described in this section. The inclusion of these values in the Offering Circular should not be regarded as a representation by the Group, the Managers, or any other person of the Group's future profitability and financial condition. None of the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, affiliates, representatives, agents or advisers has independently verified value of key performance indicators or their calculation methodologies.

Potential investors should not place reliance on the monthly operating data published by the Group that is not audited or reviewed.

This Offering Circular contains consolidated financial statements of the Group as at and for the financial years ended 31 December 2022 and 2023 and the audited consolidated financial statements of the Group as at and for the six months ended 30 June 2023 and 2024. Please see "*Presentation of Financial Information*" for more details. These financial statements have been audited by PricewaterhouseCoopers, Taiwan, the independent auditor of the Group, in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China.

Additionally, the Group also publishes monthly operational data which are not audited or reviewed by the Group's independent auditor and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review and should not be taken as an indication of the Group's expected business, financial condition and results of operations. Accordingly, such monthly operational data has not been incorporated into this Offering Circular and should not be relied on by the investors in making their investment decision.

None of the Managers, the Trustee or the Agents or affiliates, officers, employees, agents, representatives, directors or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such monthly operational data of the Group.

An actual or perceived reduction in the Group's financial strength could increase policy surrenders and withdrawals, damage the Group's business relationships and negatively impact new sales of the Group's products.

Policyholders' confidence in the financial strength of an insurance company, as well as in the financial services industry generally, is an important factor affecting the Group's business. Any actual or perceived reduction in the Group's financial strength could materially and adversely affect the Group's business because any such development may, among other things:

- increase the number of policy surrenders and withdrawals;
- damage the Group's relationship with its creditors, customers and the agents of the Group's products;
- negatively impact sales of the Group's products;
- require the Group to reduce prices for many of the Group's products and services to remain competitive;
- adversely impact the Group's ability to obtain reinsurance on acceptable terms; and

- increase the Group's borrowing costs as well as affect the Group's ability to obtain financing on a timely basis.

There is no assurance that the Group will not experience any reductions in its financial strength, actual or perceived, in the future.

The failure to identify and adequately address risks associated with ESG factors could adversely affect the achievement of the Group's long-term strategy and affect its business.

The Group aspires to harness the power of corporate citizenship, working together with its employees, policyholders, and the general public to protect the well-being of Taiwan. The Group integrates ESG factors into the decisions that it makes and actions it takes in order to achieve the Group's sustainability value. The Group is committed to reducing its carbon footprint and championing financial inclusivity as part of supporting the just transition to a lower-carbon economy.

The Group's ESG strategy helps it to assess its impact on the economy, the environment and society, and to consider the significance of various ESG factors for the Group's stakeholders, as well as their importance and impact to its business. Given the continuously evolving global and local business environment and in light of its stakeholders' shifting priorities and expectations, the Group may fail to identify material ESG factors, adequately address pertinent ESG-related risks and expectations and requirements of its investors, regulators and others. This may include any failure to effectively capture ESG-related opportunities to drive meaningful positive impact.

If the Group is unable to effectively implement its ESG strategy and address ESG risks and expectations and requirements of its stakeholders or meet stated ESG targets or goals, this could adversely affect the achievement of the Group's long-term strategy and could have a material and adverse effect on its reputation, business, financial condition or results of operations.

The Group's strategic initiatives at its businesses may not be successful.

The Group provides a full range of life insurance products and related services, including individual traditional life insurance, individual injury insurance, individual health insurance, group insurance, annuity insurance, and investment-linked insurance. Each of the Group's businesses has ongoing and future strategic and operating initiatives to further develop and grow their operations including the strategies. There is no assurance that the Group will be able to successfully achieve any of its strategic and operating initiatives, whether at the operating business level, or at the overall Group level.

The Group may be subject to OFAC or other penalties if the Group is determined to have violated any OFAC regulations or similar sanctions.

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. Office of Foreign Assets Control ("OFAC") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. In addition, the Group may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, the Group may face secondary sanctions if it is determined that the Group has provided material support to countries or entities or involving specific sectors of certain countries that are the subject of sanctions. If the Group engages in any prohibited transactions by any means, or if it is otherwise determined that any of the Group's transactions violated OFAC-administered or other sanctions regulations, the Group could be subject to penalties, and the Group's reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect the Group's reputation, business, financial condition or results of operations.

RISK FACTORS RELATING TO THE INSURANCE INDUSTRY

The Group's businesses are heavily regulated, and changes in regulation may reduce the Group's profitability and limit the Group's growth.

The Group is subject to extensive regulation and supervision in Taiwan where it conducts its business, which is supervised by the FSC, and it must comply with the Insurance Act, the Regulations for Establishment and Administration of Insurance Enterprise and related regulations.

The Group's businesses in Taiwan are extensively regulated by the FSC, which has been given wide discretion in its administration of these laws, rules and regulations as well as the authority to impose regulatory sanctions on the Group. On 1 July 2004, the FSC was established as the competent authority responsible for development, supervision, regulation, and examination of financial markets and financial service enterprises in Taiwan. There are four bureaus under the FSC, including Securities and Futures Bureau, Banking Bureau, Insurance Bureau, and Financial Examination Bureau. On 1 July 2012, the Insurance Bureau was restructured with functions of its four divisions being transformed to General Supervision, Life Insurance Supervision, Non-Life Insurance Supervision, and Financial Supervision.

According to the Insurance Act, an insurance company must obtain the FSC's approval before commencing business in Taiwan. To obtain the approval of the FSC, an insurance company must meet and maintain certain requirements, including maintaining its corporate status as a company limited by shares or as a cooperative, minimum paid-in capital, capital adequacy requirement, deposit of security bond, etc. An insurance company must accurately create and provide documents detailing its financial and business matters and make such documents publicly available for inspection in compliance with the applicable regulations.

Furthermore, regulatory authorities may review the existing laws and regulations applicable to insurance companies and their products and services from time to time. The FSC has been actively reviewing existing laws and regulations applicable to insurance companies in Taiwan and has announced a number of amendments in 2024. Recent development in the ROC's regulations in relation to the insurance industry includes without limitation (i) Regulations Governing Appointed Actuaries and External Reviewing Actuaries of Insurance Companies amended on 16 January 2024; (ii) Regulations Governing the Preparation of Financial Reports by Insurance Enterprises amended on 23 January 2024; (iii) Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies amended on 6 March 2024 and (iv) Regulations Governing Insurance Company's Foreign Investment amended on 17 May 2024. Changes to the interpretation or scope of application of such laws and regulations may also substantially increase the Group's compliance costs and other expenses, which may materially and adversely affect the Group's business, results of operations and financial condition.

The rate formulas, terms and conditions of insurance policies, and design for each kind of insurance product shall be subject to the Insurance Bureau's review process through the prior-approval procedure or the use-and-file procedure pursuant to the Insurance Act, the Regulations Governing Pre-sale Procedures for Insurance Products and the relevant regulations. An insurance company must provide the potential insurance applicant with the information required by the relevant applicable regulations before entry into an insurance contract. After receiving the insurance application or proposal form submitted by the applicant, the insurance company may review such application and decide to underwrite the policy at its discretion. Changes in these regulations may affect the Group's profitability on the products the Group sells and may have a material adverse effect on the Group's profitability.

Moreover, the marketing, distribution, sale and solicitation of insurance products are heavily regulated under the Insurance Act and related regulations. The offshore investment by an insurance company is also closely monitored by the FSC under the Regulations Governing Insurance Company's Foreign Investment.

Failure to comply with any of the laws, rules and regulations to which the Group is subject could result in fines, restrictions on business expansion or, in extreme cases, revocation of business licences, which could materially and adversely affect the Group. As some of the laws, rules and regulations that the Group is subject to are relatively new, there is uncertainty regarding their interpretation and application.

In addition, the laws, rules and regulations under which the Group is regulated may change from time to time. For example, the Group's Taiwan operations are affected by the ROC's tax laws and regulations. The ROC tax authorities may undertake reforms of the tax system, which may result in changes to the tax laws and regulations that the Group is currently subject to. There is no assurance that this reform will not have a material adverse effect on the Group's business, results of operations or financial condition. There is no assurance that future legislative

or regulatory changes, including deregulation, would not have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is required to comply with minimum solvency requirements and may be required to raise additional capital or change its business strategy if the RBC adequacy ratio deteriorates or the applicable capital requirements change in the future.

Insurance companies are generally required by applicable law to maintain their solvency at a level in excess of statutory minimum standards. The solvency of the Guarantor and Nan Shan General Insurance, respectively is affected primarily by the solvency margins that are required to be maintained, which are in turn affected by the volume and type of new insurance policies the Group sells, the composition of the Group's in-force insurance policies and by regulations on the determination of statutory reserves.

The RBC system has been implemented in Taiwan since 9 July 2003, which provides for the early detection of the soundness of insurance enterprises' financial conditions, hence enabling insurance enterprises to enhance their capital structure. The RBC refers to capital calculated on the basis of the risks that an insurance company may incur from its actual business operations. Depending on the type of the insurance company, such risks include without limitation asset risks, insurance risks, interest risks, credit risks, underwriting risks and asset-liability matching risks. According to the "Regulations Governing Capital Adequacy of Insurance Companies", which was announced on 20 December 2001 and amended on 4 August 2023, insurance enterprises must file RBC ratio report twice a year to the FSC. The RBC ratio of an insurance company is considered adequate if it equals to or exceeds 200%, and the net worth ratio is more than 3% in one of the most recent two periods. If RBC ratio of the Company or Nan Shan General Insurance does not satisfy the relevant requirements, the relevant authorities may impose a range of regulatory sanctions depending on the degree of deficiency in its RBC ratio.

Should the RBC ratio of the Company or Nan Shan General Insurance deteriorate, the Company or Nan Shan General Insurance may have to make provision for additional reserves and incur charges to earnings, which could have a material adverse effect on the Group's financial condition and results of operations, and could materially and adversely affect the growth rate of the Group's business.

For increased alignment with international regulatory supervision standards, the Taiwan Insurance Bureau has announced a plan to adopt a new generation solvency regime in 2026, which will be based upon the ICS. Under the new regime:

- solvency measurement will move away from a historical-value balance sheet approach to an economic balance sheet approach, providing a current view of the solvency position of an insurer. Asset and liabilities are measured at fair value;
- the calculation of required capital will move away from a factor-based approach to a stress-based approach to better capture the "tail-risk" as broader risks will be included; and
- requirements on assets qualifying as admissible capital for solvency purposes will be stricter than the current requirement and the capital will be classified into Tier 1 and Tier 2 based on quality considerations.

With the proposed implementation of the new generation solvency regime, it is unclear how the Group's business, financial condition and results of operations will be impacted, and uncertainty remains as the FSC continues to propose further guidelines and updates.

Concentrated surrenders may materially and adversely affect the Group's cash flows, results of operations and financial condition.

Under normal circumstances, it is possible, to a certain extent, for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency or macroeconomic events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, a general loss of confidence in banks and the financial sector in general, or the severe weakening of the Group's financial strength, may trigger massive surrenders of insurance policies. If this were to occur, the Group would have to dispose of the Group's investment assets, possibly at unfavourable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect the Group's cash flows, financial condition and results of operations.

Customer preferences for insurance, investments and pension products as well as wealth management solutions may change and the Group may not respond appropriately or in time to sustain the Group's business or its market share in the geographical markets in which the Group operates.

The insurance, investment, pension, banking and wealth management markets as well as the preferences of the Group's customers are constantly evolving. As a result, the Group must continually respond to changes in these markets and customer preferences to remain competitive, grow the Group's business and maintain market share. The Group faces many risks when introducing new products. The Group's new products may fail to achieve market acceptance, which could harm the Group's business.

The Group's new products may also be rendered obsolete or uneconomical by competition or developments in the insurance, investment, pension, banking and wealth management industries. Furthermore, even if the Group's current and anticipated product offerings are responsive to changing market demand, the Group may be unable to commercialise them. Moreover, potential products may fail to receive necessary regulatory approvals, be difficult to market on a large scale, be uneconomical to introduce, fail to achieve market acceptance, or be precluded from commercialisation by proprietary rights of third parties. Any inability to commercialise the Group's products would materially impair the viability of the Group's business. Accordingly, the Group's future success will depend on the Group's ability to adapt to changing customer preferences, industry standards and new product offerings and services. Any of these changes may require the Group to re-evaluate the Group's business model and adopt significant changes to the Group's strategies and business plan. Any inability to adapt to these changes would have a material adverse effect on the Group's business, financial condition and results of operations.

The rate of growth of Taiwan's insurance market may not be as high or as sustainable as the Group anticipates.

The Group expects the insurance market in Taiwan to expand and the insurance penetration rate to rise with the continued growth of Taiwan's economy and household wealth, the reform of the social welfare system and the promotion of digital innovation. The Group's judgments regarding the anticipated drivers of such growth and their impact on Taiwan's insurance industry are prospective. There is no assurance that such prospective judgments will be consistent with actual developments. Moreover, Taiwan's insurance industry may not be free from systemic risks, including risks related to macroeconomic conditions and financial system stability. Thus, the growth and development of Taiwan's insurance industry may not be sustainable and may not be in line with the Group's expectations, which could have a material adverse effect on the Group's business, financial condition and results of operations.

RISK FACTORS RELATING TO THE ROC

The Group's business prospects, financial condition and results of operations could be adversely affected by political considerations relating to the ROC.

The Group actively conducts its business and generates most of its revenues in Taiwan. Accordingly, the business, results of operations and financial condition of the Group may be affected by changes in the ROC governmental policies, law, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside the Group's control. Taiwan has a unique international political status. Since 1949, Taiwan and the PRC have been separately governed. The PRC government regards the ROC as a province of the PRC and does not recognise the legitimacy of the ROC. Although significant economic and cultural relations have been established in the past decades between the ROC and the PRC, the PRC has refused to renounce the possibility that it may use military force to gain control over the ROC, particularly under what it considers as highly provocative circumstances, such as a declaration of independence by the ROC. Furthermore, the PRC government passed the Anti-Secession Law in March 2005, which authorised non-peaceful means and other necessary measures should the ROC move to gain independence from the PRC.

Relations between the PRC and the ROC have at times been strained. Strained relations could result in future military actions or economic sanctions or other disruptive activities undertaken by either government. Tension between the ROC and the PRC and other factors affecting political or economic conditions in the ROC could have a material adverse effect on the results of operations and financial condition of the Group.

The Group's operations in the ROC are subject to risks associated with the ROC legal system.

The Group's business and operations in the ROC are governed by the ROC legal system, which is a codified

system with written laws, regulations, circulars, administrative directives and internal guidelines. In the event that the Group's breach any of the foregoing due to an act or omission, it will be subject to penalties prescribed thereunder. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are uncertain, and are subject to policy changes. There can be no assurance that the Group will be able to remain in compliance with all applicable laws and regulations in the ROC.

Holders of the Bonds may not be able to enforce a judgment of a foreign court in the ROC.

The Guarantor's business and operations are mainly in the ROC. Most of the Guarantor's directors and senior management are residents of the ROC, and certain portion of the Guarantor's assets and the assets of such persons are located in the ROC. As a result, it may be difficult for holders of the Bonds to enforce judgments obtained outside the ROC against the Guarantor or such persons in the ROC, including those predicated upon the civil liability provisions of English law. Further, while it is expected that the courts of the ROC will recognise and enforce a judgment given by the courts of Hong Kong on matters governed by English law, there is no guarantee that the ROC courts will do the same for all such judgments.

RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal, interest or distribution payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex investment securities and such Bonds may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the investors' overall portfolios. A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of some investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing or (c) any other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable RBC or similar rules.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Approval in-principle has been received from the SGX-ST for the listing of the Bonds on the SGX-ST. However, no assurances can be given as to whether the Bonds will be, or will remain, listed on the SGX-ST or whether a trading market for the Bonds will develop or as to the liquidity of any such trading market. If the Bonds fail to or cease to be listed on the SGX-

ST, certain investors may not invest in, or continue to hold or invest in, the Bonds. In addition, no assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. If any of the Bonds are traded after their initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Bonds and other factors, including general economic conditions and the Group's financial condition, performance and prospects. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. None of the Managers is obligated to make a market in the Bonds, and if the Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to, or exempt from, registration under the Securities Act.

Insolvency laws of Singapore and the ROC may differ from the bankruptcy laws of other jurisdictions with which holders of the Bonds are familiar.

The insolvency laws of Singapore and the ROC and other local insolvency laws may differ from the bankruptcy laws of other jurisdictions with which the holders of the Bonds are familiar. Since the Issuer and the Guarantor are incorporated under the laws of Singapore and the ROC, respectively, any insolvency proceedings relating to the Issuer or the Guarantor, regardless of where they were brought, would likely involve Singapore or ROC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy laws in other jurisdictions with which the holders of the Bonds are familiar.

The Issuer's ability to make payments under the Bonds is dependent on the business and financial condition of the Guarantor and its subsidiaries.

The Issuer, a single purpose vehicle incorporated for the purpose of issuing the Bonds, is a direct wholly-owned subsidiary of the Guarantor. The other subsidiary of the Guarantor is neither the issuer nor the guarantor in respect of the Bonds. Holders have no recourse against such subsidiary (other than the Issuer or the Guarantor, as the case may be) with respect to the payment of amounts due under the Bonds. The Issuer's ability to make payments under the Bonds depends on its investment performance and the availability of funds from the Guarantor and the Guarantor's financial condition and results of operations. In the event that the Group does not make such payments or funding due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Bonds could be adversely affected.

The Bonds and the Guarantee of the Bonds are subordinated obligations.

The obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee of the Bonds will constitute unsecured and subordinated obligations of the Issuer and the Guarantor. Subject to and to the extent permitted by the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up (as defined in the Terms and Conditions of the Bonds) of the Issuer, the rights and claims of the Bondholders in respect of payments of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payment in full of all present and future claims of Senior Creditors (as defined in the Terms and Conditions of the Bonds), but shall rank *pari passu* in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations (as defined in the Terms and Conditions of the Bonds) of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares (as defined in the Terms and Conditions of the Bonds) and Preferred Shares (as defined in the Terms and Conditions of the Bonds) of the Issuer) and any other outstanding Junior Obligations (as defined in the Terms and Condition of the Bonds) of the Issuer. Upon the Winding-Up of the Issuer, holders of the Bonds can enforce the obligations of the Guarantor under the Guarantee of the Bonds, but, subject to the insolvency laws of the ROC and other applicable laws, in the event of the Winding-Up of the Guarantor, the rights and claims of holders of the Guarantee of the Bonds will rank senior to any present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other outstanding Junior Obligations of the Guarantor, equally with the holders of all Parity Obligations of the Guarantor, but junior in right of payment to the present and future claims of all Senior Creditors by operation of law or contract.

In the event of a shortfall of funds or a Winding-Up, there is a real risk that an investor in the Bonds will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Bonds.

The Issuer and the Guarantor may raise or redeem other capital which affects the price of the Bonds.

The Issuer and the Guarantor may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer and the Guarantor may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a Winding-Up of the Issuer and/or the Guarantor, and may increase the likelihood of a cancellation of interest under the Bonds. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

The Bonds are redeemable on the Maturity Date or upon the occurrence of certain events. The Bonds are redeemable on the Maturity Date (as defined in the Terms and Conditions of the Bonds), in whole, but not in part, at their principal amount together with interest accrued and unpaid to such date.

In addition, subject to the satisfaction of Condition 5(f) of the Terms and Conditions of the Bonds, the Issuer also has the right to redeem the Bonds at in whole, but not in part, at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable):

- (i) upon the occurrence of a Tax Withholding Event (as defined in the Terms and Conditions of the Bonds);
- (ii) upon the occurrence of a Tax Deduction Event (as defined in the Terms and Conditions of the Bonds);
- (iii) upon the occurrence of a Minimal Outstanding Amount Redemption Event (as defined in the Terms and Conditions of the Bonds); or
- (iv) upon the occurrence of a Regulatory Capital Event (as defined in the Terms and Conditions of the Bonds).

The date on which the Issuer elects to redeem the Bonds may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Bonds.

An early redemption of the Bonds is subject to Redemption Conditions.

Any redemption or purchase of the Bonds (other than a redemption on the Maturity Date) shall be subject to the Redemption Conditions (as defined in the Terms and Conditions of the Bonds) to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:

- (A) the Bonds may not be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and
- (B) the Bonds may only be redeemed or purchased pursuant to Condition 5 of the Terms and Conditions of the Bonds (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.

In addition, if a Special Event (as defined in the Terms and Conditions of the Bonds) has occurred and is continuing, then the Issuer may, subject to satisfaction of Condition 12 of the Terms and Conditions of the Bonds, but without any requirement for the consent or approval of Bondholders, substitute all, but not some only, of the relevant Tranche of Bonds for, or vary the terms of such Bonds with the effect that they remain or become, "Qualifying Bonds" as defined in the Terms and Conditions of the Bonds, provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.

Differences between Taiwan-IFRS and generally accepted accounting principles may impact the assessment of the Guarantor's financial condition or the characterisation of the Bonds.

Our financial statements are prepared using accounting principles, procedures and reporting practices generally accepted in the ROC, or Taiwan-IFRS, and are not intended to present the financial position and results of

operations and cash flows in accordance with accounting principles and practices generally accepted in other jurisdictions, including the United States and Europe. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. Potential investors should consult their own professional advisors for an understanding of the differences between Taiwan-IFRS and the generally accepted accounting principles in other jurisdictions.

Further, no attempt has been made to identify future differences between Taiwan-IFRS and the generally accepted accounting principles in other jurisdictions as a result of the prescribed changes in accounting standards. There can be no assurance that such changes will not have a significant impact on the Group's financial condition and results of operations.

There are limited remedies for non-payment under the Bonds and the Guarantee of the Bonds.

The right to institute Winding-Up proceedings is limited to circumstances where payment under the Bonds has become due and is unpaid. The only remedy against the Issuer available to the Trustee or (where the Trustee has failed to proceed against the Issuer as provided in the Terms and Conditions of the Bonds) any Holder for recovery of amounts in respect of the Bonds following the occurrence of a non-payment after any sum becomes due in respect of the Bonds will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer in respect of any of the Issuer's payment obligations arising from the Bonds and the Trust Deed. Holders can look to the Guarantor only upon the Winding-Up of the Issuer, and the right to institute Winding-Up proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds and the Trust Deed is limited to circumstances provided by applicable law.

The Trustee may request that Holders provide an indemnity and/or security and/or prefunding to its satisfaction.

Where the Trustee is under the provisions of the Trust Deed bound to act at the request or direction or on the instructions of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when actions can be taken by the Trustee on behalf of the Bondholders. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Trust Deed or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Guarantor's and the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Credit ratings assigned to the Bonds may not reflect the potential impact on the Bonds.

The Bonds are expected to be assigned a rating of "BBB" and "BBB" by S&P and Fitch, respectively. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the credit risks in determining the likelihood that payments will be made when due under the Bonds. Such ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to the Bonds will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the relevant rating agencies in the future if, in their judgment, the circumstances so warrant. None of the Issuer nor the Guarantor is obligated to inform holders of the Bonds of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Bonds at any time may materially and adversely affect the market price of the Bonds and the Issuer's ability to access the debt capital markets.

The Terms and Conditions of the Bonds contain provisions which may permit their modification without the consent of all investors. Decisions may be made on behalf of all holders of the Bonds and may be adverse to the interests of individual Holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders of the Bonds who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Holders of the Bonds may be adverse to the interests of individual Holders of the Bonds. See "*Terms and Conditions of the Bonds – Meetings of Bondholders and Modifications – Meetings of Bondholders*".

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement (as defined in the Terms and Conditions of the Bonds) (other than in respect of a Reserved Matter (as defined in the Terms and Conditions of the Bonds)) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Bondholders and (ii) any modification of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of any applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Terms and Conditions of the Bonds, the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby. See "*Terms and Conditions of the Bonds – Meetings of Bondholders and Modifications – Modification and waiver*".

A change in English, Singapore and ROC law which governs the Bonds may adversely affect the Bondholders.

The Terms and Conditions of the Bonds are governed by English law in effect as of the date of issue of the Bonds, except in relation to subordination provisions set out in Conditions 3(a) and (b) of the Terms and Conditions of the Bonds, which are governed by Singapore law and ROC law, respectively. No assurance can be given as to the impact of any possible judicial decision or change to English, Singapore or ROC law or administrative practice after the date of issue of the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts.

The Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement are governed by English law (except that the subordination provisions set out in (i) Conditions 3(a) and (b) of the Terms and Conditions of the

Bonds and (ii) the Trust Deed are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively), whereby the courts of Hong Kong are to have jurisdiction to settle any disputes arising out of or in connection with the Bonds. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. This may differ from similar debt securities issuances in the international capital markets which are governed by English law where the courts of England are to have jurisdiction. In addition, while it is expected that the courts of Singapore and/or the ROC will recognise and enforce a judgment given by the courts of Hong Kong governed by English law, there can be no assurance that the courts of Singapore and/or the ROC will do so for all such judgments. See *"Risk Factors – Risk Factors relating to the ROC - Holders of the Bonds may not be able to enforce a judgment of a foreign court in the ROC"* for further details.

The Bonds will initially be represented by a Global Certificate, and holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.

The Bonds will initially be represented by beneficial interests in a Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer, failing which the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing Systems for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems to receive payments under the Bonds. None of the Issuer, the Guarantor, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing Systems to appoint appropriate proxies.

Integral multiples of less than the specified denomination.

The denominations of the Bonds are U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a holder of Bonds who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, holders of the Bonds should be aware that Bonds with aggregate principal amounts that are not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

The Bonds are subject to Singapore taxation risks.

The Bonds are intended to be "qualifying debt securities" for the purposes of the Income Tax Act 1947 of Singapore ("**Income Tax Act**"), subject to the fulfilment of certain conditions more particularly described in "*Taxation – Singapore*". However, there can be no assurance that the Bonds will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds.

Each Bondholder that is a Financial Institution shall be deemed to agree, be bound by and acknowledge that it shall not subscribe for, purchase or hold any Bonds if doing so would result in a reciprocal cross-holding arrangement of subordinated bonds with a maturity of 10 years or more with the Guarantor, in breach of the Applicable Supervisory Rules. For the purposes of this paragraph, "Financial Institution" shall have the meaning as set out in the Financial Institutions Merger Act of the ROC.

The U.S.\$700,000,000 5.45 per cent. Tier 2 Subordinated Dated Capital Bonds due 2034 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 14 of these terms and conditions of the Bonds (the "**Conditions**" and each a "**Condition**") and consolidated and forming a single series with the Bonds) of Nanshan Life Pte. Ltd. (the "**Issuer**") are constituted by a trust deed dated 11 September 2024 (as amended and/or supplemented from time to time, the "**Trust Deed**") entered into by the Issuer, Nan Shan Life Insurance Co., Ltd. (the "**Guarantor**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**") and are the subject of an agency agreement dated 11 September 2024 (as amended and/or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**", which expression shall include any successor thereto), as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto) and as transfer agent (the "**Transfer Agent**", which expression shall include any successor and additional transfer agent thereto) and any other agents named therein. References to the "**Paying Agents**" include the Principal Paying Agent and references to the "**Transfer Agents**" include the Transfer Agent. References to the "**Principal Paying Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are to the principal paying agent, the registrar, the transfer agent and the agents for the time being for the Bonds. Certain provisions of these Conditions are summaries of the Trust Deed and subject to their detailed provisions. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Trust Deed and are deemed to have notice of the provisions of the Agency Agreement applicable to them.

Copies of the Trust Deed and Agency Agreement are available (i) for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m., Monday to Friday other than public holidays) at the specified office of the Principal Paying Agent (being, at the date of issue of the Notes, at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent and (ii) electronically from the Principal Paying Agent, following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

1. **FORM, DENOMINATION AND TITLE**

The Bonds are issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (the "**Specified Denomination**").

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside of the United Kingdom and the Republic of China ("**ROC**") in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or a distribution in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name any Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate ("**Global Certificate**") deposited with, and registered in the name of a nominee of, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "The Global Certificate" in the offering circular.*

2. TRANSFERS OF THE BONDS

- (a) **Transfer of the Bonds:** A Bond may, subject to the terms of the Agency Agreement and Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Bond to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of the Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers and registrations of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon prior written request and the proof of holding and identity to the satisfaction of the Registrar.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent or the Registrar the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar (as the case may be).
- (c) **Transfers Free of Charge:** Transfers of the Bonds and Certificates on registration or transfer shall be **effected** without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon (i) payment by the applicant of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the Transfer Agent may require in respect of tax or charges); (ii) the relevant Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfers and registration of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on the due date for redemption of the Bonds (ii) after the Bonds have been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined below).

3. STATUS

- (a) **Status and ranking of the Bonds:** The Bonds constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which rank *pari passu* in right of payment and without any preference among themselves. Subject to and to the extent permitted by the insolvency laws of Singapore and other applicable laws, in the event of the Winding-Up of the Issuer, the rights and claims of the Bondholders in respect of payment of principal and interest on the Bonds will be expressly subordinated in right of payment to the prior payments in full of all present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment with each other and to the present and future claims of the holders of any other Parity Obligations of the Issuer and in priority in right of payment to the present and future claims of the holders of any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer) and any other Junior Obligations of the Issuer.
- (b) **Status and ranking of the Guarantee:** The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums payable by the Issuer in respect of the

Bonds. This guarantee (the "**Guarantee of the Bonds**") constitutes a direct, unconditional, unsecured and subordinated obligation of the Guarantor. Subject to the insolvency laws of the ROC, in the event of the Winding-Up of the Guarantor, the rights and claims of the Bondholders in respect of the Guarantee of the Bonds will be subordinated in right of payment to the present and future claims of all Senior Creditors, but shall rank *pari passu* in right of payment to the present and future claims of the holders of any Parity Obligations of the Guarantor and in priority in right of payment to the present and future claims of the holders of any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor) and any other Junior Obligations of the Guarantor.

The status and ranking of the Bonds and the Guarantee of the Bonds will not be affected by the Tier 1 Capital Instruments or Tier 2 Capital Instruments issued or guaranteed by the Issuer or the Guarantor.

- (c) **Set-off:** Subject to applicable law, no holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, and each holder shall, by virtue of his holding of any Bonds, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder by the Issuer or the Guarantor in respect of, or arising under or in connection with the Bonds or the Guarantee of the Bonds, as the case may be, is discharged by set-off, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor (or, in the event of Winding-Up of the Issuer or the Guarantor, as the case may be, the liquidator of the Issuer or the Guarantor, as the case may be) and, until such time as payment is made, shall hold such amount in trust for the Issuer or the Guarantor, as the case may be (or the relevant liquidator) and accordingly any such discharge shall be deemed not to have taken place.
- (d) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Applicable Supervisory Rules**" means such insurance supervisory laws, rules, regulations, guidelines and official interpretation which are applicable to the Guarantor and, as the case may be, the Issuer from time to time;

"**Junior Obligations**" means:

- (i) in respect of the Issuer, (a) any share capital of the Issuer (including Ordinary Shares and Preferred Shares of the Issuer), (b) any other instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Issuer or other obligations of the Issuer ranking, or expressed to rank, junior in right of payment to the Bonds by operation of law or contract; and
- (ii) in respect of the Guarantor, (a) any share capital of the Guarantor (including Ordinary Shares and Preferred Shares of the Guarantor), (b) any other instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 1 Capital Instruments of the Guarantor and (c) any instruments or securities issued, entered into or guaranteed by the Guarantor or other obligations of the Guarantor ranking, or expressed to rank, junior to the Guarantor's obligations under the Guarantee of the Bonds by operation of law or contract;

"**Ordinary Shares**" means the ordinary share capital (普通股) of the Issuer or the Guarantor, as the case may be;

"**Parity Obligations**" means:

- (i) in respect of the Issuer, any instruments or securities issued, entered into or guaranteed by the Issuer that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Issuer, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Bonds by operation of law or contract; and

- (ii) in respect of the Guarantor, any instruments or securities issued, entered into or guaranteed by the Guarantor that constitutes or qualifies as Tier 2 Capital Instruments of the Guarantor (but excluding any Preferred Shares that might also constitute or qualify as Tier 2 Capital Instruments of the Guarantor) or any other obligations of the Guarantor, the claims of the holders of which rank, or are expressed to rank, *pari passu* in right of payment with the Guarantee of the Bonds by operation of law or contract;

"**Preferred Shares**" means any preferred shares (特別股) of the Issuer or the Guarantor, as the case may be;

"**Senior Creditors**" means:

- (i) in respect of the Issuer, any unsubordinated creditors of the Issuer or other creditors whose claims are not ranked or not expressed to rank *pari passu* or junior to the claims of the Bondholders; and
- (ii) in respect of the Guarantor, all policyholders (including all obligations to such policyholders under policies and contracts of insurance) and other unsubordinated creditors of the Guarantor;

"**Tier 1 Capital Instruments**" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 1 Unlimited capital (第一類非限制性資本) or Tier 1 Limited capital (第一類限制性資本) of the Guarantor pursuant to the Applicable Supervisory Rules; and

"**Tier 2 Capital Instruments**" means any instrument or other obligation issued, entered into or guaranteed by the Issuer or the Guarantor, as the case may be, that constitutes Tier 2 capital (第二類資本) of the Guarantor pursuant to the Applicable Supervisory Rules.

4. **INTEREST**

- (a) **Accrual of Interest:** The Bonds confer a right to receive interest from 11 September 2024 (the "**Issue Date**") at 5.45 per cent. per annum (the "**Rate of Interest**") payable semi-annually in equal instalments in arrear on 11 March and 11 September of each year (each, an "**Interest Payment Date**"), with the first Interest Payment Date falling on 11 March 2025.

Unless otherwise provided for in these Conditions, each Bond will cease to confer the right to receive any interest from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such latter event, interest will continue to accrue at the Rate of Interest (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of the Bonds are received by or on behalf of the relevant Bondholder and (ii) the day which is seven days after the Agent has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions).

The Bonds are not subject to any interest rate step-up or any other incentive to redeem. The interest is not linked to any credit quality or the financial condition of the Issuer or the Guarantor and will not be adjusted according to changes in the credit quality or the financial condition of the Issuer or the Guarantor, as the case may be, in the future.

- (b) **Fixed Interest Amount:** The Interest Amount payable in respect of each complete Interest Period shall be U.S.\$27.25 per Calculation Amount.
- (c) **Calculation of Interest Amount:** The amount of interest payable in respect of each Bond for any period (save for a complete Interest Period) shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Bond divided by the Calculation Amount, where "**Calculation Amount**" means U.S.\$1,000 and "**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months).

The calculation of any Interest Amount in respect of any Bond which is represented by a Global Certificate will be calculated on the aggregate outstanding principal amount of the Bonds represented by such Global Certificate, as the case may be, and not by reference to the Calculation Amount. See "The Global Certificate" in the offering circular.

- (d) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Interest Amount" means, in relation to an Interest Period, the amount of interest payable for that Interest Period; and

"Interest Period" means the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

5. REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption of Bonds at Maturity

The Bonds, unless previously redeemed, purchased and cancelled as provided below, shall be finally redeemed on 11 September 2034 (the **"Maturity Date"**) in whole, but not in part, at their outstanding principal amount together with interest accrued to (but not including) the Maturity Date.

(b) Redemption for Taxation Reasons

- (i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:
- (A) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (B) (i) the Guarantor has or (if a demand was made under the Guarantee of the Bonds) will become obliged to pay additional amounts as provided or referred to in Condition 7 or the Guarantee of the Bonds, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024, and (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds then due or (as the case may be) a demand under the Guarantee of the Bonds then made (a **"Tax Withholding Event"**).

- (ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent legal

or tax advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) above of this Condition 5(b)(i), in which event they shall be conclusive and binding on the Bondholders.

(c) **Redemption for Tax Deduction Reasons**

- (i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to (but not including) the date fixed for redemption), if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:
 - (A) (i) in respect of the interest payable on the Bonds, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024 and (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (B) (i) in respect of any amounts payable under the Guarantee of the Bonds, the Guarantor is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, including the decision of any court, tribunal or governmental agency, which change or amendment becomes effective on or after (or is enacted or adopted on or after but becomes effective before) 4 September 2024 and (ii) such non tax deductibility cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, in each case, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor is or would be no longer entitled to claim a deduction for any payments in respect of the Bonds or (as the case may be) the Guarantee of the Bonds in computing its Singapore or the ROC (or any authority therein or thereof having power to tax) taxation liabilities or the amount of such deduction is materially reduced (a "**Tax Deduction Event**").

- (ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Trustee a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the right of the Issuer so to redeem has occurred, and an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent legal or tax advisers of recognised standing to the effect that such non tax deductibility cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) above of this Condition 5(c)(i), in which event they shall be conclusive and binding on the Bondholders.

(d) **Minimal Outstanding Amount Redemption**

- (i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if prior to the date of such notice at least 90 per cent. in principal

amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 13 and consolidated and forming a single series with the Bonds) has already been redeemed or purchased and cancelled (a "**Minimal Outstanding Amount Redemption Event**").

- (ii) Upon expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(d).

(e) **Regulatory Event Redemption**

- (i) Subject to the satisfaction of Condition 5(f), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Bondholders (which notice shall be irrevocable) at their principal amount (together with interest accrued to (but not including) the date fixed for redemption) if, immediately before giving such notice, the Bonds or the Guarantee of the Bonds, which having originally qualified as Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules in effect as of the Issue Date (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), as a result of a change in the Applicable Supervisory Rules are deemed to no longer qualify (in whole or in part) as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) (each, a "**Regulatory Capital Event**").
- (ii) Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate in English signed by one Authorised Signatory of the Issuer or the Guarantor stating that the circumstances referred to above prevail and setting out the details of such circumstances. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (i) above of this Condition 5(e)(i), in which event they shall be conclusive and binding on the Bondholders.
- (iii) Upon expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(e).

(f) **Redemption Conditions**

- (i) Notwithstanding anything to the contrary set forth herein, any redemption or purchase of the Bonds pursuant to Condition 5 (other than a redemption on the Maturity Date) shall be subject to the following conditions (such conditions being referred to herein as the "**Redemption Conditions**") to the extent the Bonds qualify as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be, under the Applicable Supervisory Rules (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules) and such Redemption Conditions are required by the Applicable Supervisory Rules:
 - (A) the Bonds may not be redeemed or purchased pursuant to Condition 5 (other than a redemption on the Maturity Date) unless the Relevant Regulatory Approval has been obtained; and
 - (B) the Bonds may only be redeemed or purchased pursuant to Condition 5 (other than a redemption on the Maturity Date) if, immediately after giving effect to such redemption or purchase, the Capital Requirements are satisfied.
- (ii) The determination by the Issuer in connection with any redemption that the applicable Redemption Conditions set forth in this Condition 5(f) have or have not been met or that no such Redemption Conditions apply shall, in the absence of manifest error, be treated and accepted by the Bondholders and all other interested parties as correct and sufficient evidence thereof and shall be final and binding on such parties, and the Trustee shall be entitled to rely conclusively on such determination without liability to any person.
- (iii) In the event that the option of the Issuer (i) to redeem the Bonds following the occurrence of any Special Event, (ii) to substitute the Bonds, or vary the terms of the Bonds, following the occurrence of any Special Event, or (iii) to conduct a Minimal Outstanding Amount Redemption

pursuant to Condition 5(d), would at any time prevent the Bonds from being treated under the then Applicable Supervisory Rules as at least Tier 2 capital of the Issuer or the Guarantor, as the case may be (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules), then, at the option of the Issuer, the terms of the Bonds and the Guarantee of the Bonds shall automatically be deemed to be modified, without the consent of the Bondholders or the Trustee, so as to exclude any feature relating to such option that is preventing the Bonds or the Guarantee of the Bonds from being treated under the then Applicable Supervisory Rules as at least Tier 2 capital (or, if different, whatever terminology is employed by the then Applicable Supervisory Rules). Should such automatic deemed modification occurs, notice of such fact shall be given promptly by the Issuer to the Trustee and the Bondholders.

(g) **Purchases**

Neither the Issuer, the Guarantor, any of its respective subsidiaries nor any of the related parties of the Issuer or the Guarantor shall subscribe for any Bonds or purchase any Bonds in the open market or otherwise and at any price, unless such subscription and/or purchase, as the case may be, is effected with Relevant Regulatory Approval, to the extent required by the Applicable Supervisory Rules.

For the purposes of this Condition 5(g), "**related parties**" shall have the meaning as set out in IAS (International Accounting Standard) 24.

(h) **Cancellation**

Any Bonds redeemed by the Issuer, the Guarantor or any of their subsidiaries shall be cancelled forthwith. Any Bonds so cancelled may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

(i) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Capital Requirements**" means any minimum prescribed solvency capital ratios to which the Guarantor is subject from time to time pursuant to the Applicable Supervisory Rules, which as of the Issue Date comprise of the capital adequacy ratio (資本適足率) as calculated according to the Applicable Supervisory Rules;

The minimum prescribed solvency capital ratios and other capital requirements which apply to the Guarantor may change from time to time. See "Risk Factors – Risk Factors Relating to the Insurance Industry – The Group is required to comply with minimum solvency requirements and may be required to raise additional capital or change its business strategy if the risk-based capital adequacy ratio deteriorates or the applicable capital requirements change in the future" in the offering circular for further details.

"**Relevant Regulator**" means the regulator which is considered the primary supervisor of the Guarantor from time to time under the Applicable Supervisory Rules. The Relevant Regulator as of the Issue Date is the Insurance Bureau of the Financial Supervisory Commission, ROC;

"**Relevant Regulatory Approval**" means the Relevant Regulator has given, and not withdrawn by the relevant date, its prior consent to the redemption, purchase or substitution or variation (in accordance with Condition 12), as the case may be, of such Bonds; and

"**Special Event**" means a Tax Withholding Event, Tax Deduction Event or Regulatory Capital Event or any combination of the foregoing.

6. **PAYMENTS**

(a) **Principal and Interest:**

(i) Payments of principal in respect of the Bonds shall be made against presentation and surrender of the Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

- (ii) Interest on the Bonds shall be paid to the person shown on the Register at the close of business on the Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on the Bonds shall be made in U.S. dollars by transfer to a registered U.S. dollar account of the Bondholder appearing in the Register.
 - (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar shall annotate the Register with the amount of principal so paid and shall (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar shall annotate the Register with the amount of interest so paid.
 - (iv) Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (b) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Appointment of Agents:** The Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Paying Agent; (iii) a Registrar, (iv) a Transfer Agent, and (v) such other agents as may be required by any other stock exchange on which the Bonds may be listed.
- Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders.
- (d) **Non-Business Days:** If any date for payment in respect of the Bonds is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in New York City, Singapore, Hong Kong and Taipei and the city in which the specified office of the Principal Paying Agent is located.

7. TAXATION

All payments of principal and interest by the Issuer or the Guarantor or any of its agents making a payment on its behalf in respect of the Bonds shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by Singapore, the ROC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or regulation. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as shall result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Bond:

- (a) **Other connection:** for such taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by reason of such Bondholder (or fiduciary, beneficial owner, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Bondholder, if the relevant Bondholder is an estate, nominee, trust, partnership, company or corporation) having a present or former connection with the jurisdiction by which such taxes, duties, assessments or governmental charges have been imposed, levied, collected, withheld or assessed, other than the mere holding of the Bond;
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the Bondholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day;

- (c) **Estate, inheritance, etc.:** for any estate, inheritance, gift, sale, transfer, personal property or similar tax, duty, assessment or other governmental charge;
- (d) **Failure to provide information:** where such withholding or deduction could have been lawfully avoided if the Bondholder or beneficial owner (or a third party on behalf of the Bondholder or beneficial owner) had complied with a request addressed to such Bondholder to provide certification, identification or information reporting concerning the nationality, residence, identity or connection with the taxing jurisdiction of such Bondholder or beneficial owner (or third party); provided that the Issuer or the Guarantor, as the case may be, shall be deemed to have given adequate notice if it complies with the general notice provision provided in Condition 15;
- (e) **Presentation in the ROC:** presented (or in respect of which the Certificate representing it is presented) for payment in the ROC, unless such Bond could not have been presented for payment elsewhere; or
- (f) for any combination of the foregoing.

As used in these Conditions, "**Relevant Date**" in respect of the Bonds means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made. References in these Conditions to (i) "**principal**" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 7.

The Issuer or (as the case may be) the Guarantor or any of their agents making a payment on their behalf shall be permitted to withhold or deduct any amounts pursuant to or in connection with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any current or future regulations or official interpretations thereof, any agreements (including any intergovernmental agreements) thereunder or any law, regulation, or official interpretation implementing any of the foregoing (in each case "**FATCA Withholding**"). The Issuer, the Guarantor and their agents will have no liability for or have any obligation to pay additional amounts in respect of any such FATCA Withholding.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. **PRESCRIPTION**

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9. **NON-PAYMENT**

- (a) **Limited rights to institute proceedings:** Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment in respect of the Bonds has become due and is unpaid.
- (b) **Proceedings for Winding-Up:** Upon (i) an order being made or an effective resolution being passed for the Winding-Up of the Issuer or the Guarantor, as the case may be or (ii) the Issuer or the Guarantor failing to make payment in respect of the Bonds or the Guarantee of the Bonds, as the case may be, for a period of ten days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Bonds (in the case of the Issuer) and the Guarantee of the Bonds (in the case of the Guarantor), and the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any

such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), institute proceedings for the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) and/or prove and/or claim in the Winding-Up of the Issuer, the Guarantor or both of them (as applicable) for the principal amount of the Bonds together with interest accrued to the day prior to the commencement of the Winding-Up. The right to proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Bonds or the Guarantor's payment obligations arising from the Guarantee of the Bonds is limited to circumstances provided by applicable law.

- (c) **Enforcement:** Without prejudice to Condition 9(b), the Trustee at its sole discretion may, and if so requested in writing by Bondholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution shall (subject in any such case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction), without further notice to the Issuer and/or the Guarantor take any such steps and/or actions and/or institute such proceedings against the Issuer, the Guarantor or both of them (as applicable) as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under the Bonds or the Guarantee of the Bonds (other than any payment obligation of the Issuer or the Guarantor under or arising from the Bonds or the Guarantee of the Bonds including, without limitation, payment of any principal or satisfaction of any interest in respect of the Bonds or the Guarantee of the Bonds) including any damages awarded for breach of any obligations, provided that in no event shall the Issuer or the Guarantor, by virtue of such steps and/or actions and/or the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (d) **Trustee not bound to take action:** The Trustee shall not be bound to take action as referred to in Conditions 9(b) and 9(c) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the outstanding Bonds or so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (e) **Bondholder not entitled to proceed directly**
 - (i) No Bondholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.
 - (ii) No Bondholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer and/or the Guarantor or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Bondholder may, on giving an indemnity and/or security and/or pre-funding satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or submit a claim in the Winding-Up of the Issuer and/or the Guarantor to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.
- (f) **Extent of Trustee's or Bondholders' remedy:** No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9, shall be available to the Trustee or the Bondholders, whether for the recovery of amounts owing in respect of the Bonds or the Guarantee of the Bonds or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Bonds or the Guarantee of the Bonds, as the case may be.

The Bondholders do not have the right to require the Issuer or the Guarantor to repay any principal or interest under the Bonds before it has become due and payable, unless such payment is made under circumstances provided by applicable law in the event of a Winding-Up of the Issuer or the Guarantor.

- (g) **Definitions:** In these Conditions, "**Winding-Up**" means a final and effective order by a competent authority or effective resolution passed for the liquidation, winding-up, bankruptcy or similar proceedings in respect of the Issuer or the Guarantor, as the case may be (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction, merger or amalgamation, the terms of which reorganisation, reconstruction, merger or amalgamation have previously been approved by an Extraordinary Resolution).

10. **MEETINGS OF BONDHOLDERS AND MODIFICATIONS**

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction). The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity of the Bonds or redemption of the Bonds, any date for payment of interest or Interest Amounts on the Bonds, (ii) to reduce the rate or rates of interest in respect of the Bonds or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Bonds, (iii) to vary any method of, or basis for, calculating any redemption amount, (iv) to vary the currency or currencies of payment or denomination of the Bonds, (v) to amend the terms of the Guarantee of the Bonds (other than as provided in Condition 10(b)), (vi) to amend the subordination provisions in the Trust Deed or (vii) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**"), in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 33 1/3 per cent. in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

"**Extraordinary Resolution**" means a resolution passed (a) at a meeting of Bondholders duly convened and held in accordance with the Trust Deed by a majority of not less than three-quarters of the votes cast; (b) by Written Resolution (as defined in the Trust Deed) or (c) by an Electronic Consent (as defined in the Trust Deed).

Any such meeting of the Bondholders may be convened at a physical location, or such other method (which may include, without limitation, a conference call or video conference) as the Trustee may determine in accordance with the provisions of the Trust Deed.

The Trust Deed provides that a resolution (i) in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding or (ii) passed by way of Electronic Consent (as defined in the Trust Deed) shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification and waiver:** The Trustee may, without the consent of the Bondholders, agree to (i) any modification of these Conditions, the Bonds, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Bondholders and (ii) any modification of these Conditions, the Bonds, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of any applicable law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of these Conditions, the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

11. **REPLACEMENT OF CERTIFICATES**

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Bondholders, in each

case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates and otherwise as the Issuer or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. **SUBSTITUTION OR VARIATION**

- (a) If a Special Event has occurred and is continuing, then the Issuer may (without any requirement for the consent or approval of the Bondholders or the Trustee), subject to its having satisfied the requirements set out under the definition of "Qualifying Bonds" immediately prior to the giving of any notice referred to herein that the provisions of this Condition 12 have been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 15, the Bondholders (which notice shall be irrevocable), at any time either (i) substitute all, but not some only, of the Bonds for, or (ii) vary the terms of the Bonds with the effect that they remain or become (as the case may be), Qualifying Bonds, provided that Relevant Regulatory Approval has been obtained for such substitution or variation, to the extent required by the Applicable Supervisory Rules.
- (b) Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Bonds in accordance with this Condition 12, as the case may be.
- (c) In connection with any substitution or variation in accordance with this Condition 12, the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.
- (d) Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would give rise to a Special Event with respect to the Bonds or the Qualifying Bonds.

In this Condition 12, "**Qualifying Bonds**" means bonds that:

- (a) have terms not materially less favourable to an investor (including, without limitation, terms allowing for the reduction, conversion or write-down of their principal amount in certain circumstances) than the terms of the Bonds (as reasonably determined by the Issuer, and provided that a certification in English to such effect (and confirming that the conditions set out in (i) and (ii) below have been satisfied) of one Authorised Signatory of the Issuer or the Guarantor shall have been delivered to the Trustee (on which the Trustee may rely conclusively without any further investigation or enquiry) and the Bondholders prior to the substitution or variation of the Bonds), provided that:
 - (i) they are issued by the Issuer or any wholly-owned direct or indirect subsidiary of the Issuer with a guarantee of the Guarantor, or issued directly by the Guarantor in its capacity as an issuer; and
 - (ii) they (or, as appropriate, the guarantee as aforesaid) shall rank senior to or *pari passu* with the Bonds on a Winding-Up of the issuer or guarantor thereof, shall preserve the Bondholders' rights to any other payment that has accrued with respect to the Bonds, and shall contain terms which provide for the same Rate of Interest, Interest Payment Dates and redemption events, from time to time applying to the Bonds; and other terms of such bonds are substantially identical (as reasonably determined by the Issuer) to the Bonds, save for the modifications or amendments to such terms that are required to be made in order to avoid or resolve the applicable Special Event;
- (b) have been, or will on issue be, assigned at least the same rating (if any) as that assigned by the relevant rating agencies to the Bonds (if any such rating was assigned on or prior to the Issue Date of the Bonds) immediately prior to such substitution or variation; and
- (c) are listed on the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets.

13. **INDEMNIFICATION OF THE TRUSTEE AND AGENTS**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances including, without limitation, provisions relieving it from taking any step and/or action and/or instituting any proceeding to enforce its rights under the Bonds, the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other steps and/or actions and/or instituting other proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling the Trustee to be paid or reimbursed for any fees, costs, expenses, indemnity payments and for liabilities incurred by it, in priority to the claims of the Bondholders. In addition, the Trustee and its affiliates are entitled to (i) enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit and to act as trustee for the Bondholders of any other securities issued by or relating to, the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor, (ii) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (iii) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may accept and rely conclusively, and may act or refrain from acting, in each case, without liability to the Issuer, the Guarantor, the Bondholders, or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyers, accountants, auditors, valuers, auctioneers, surveyors, brokers, financial advisers, financial institutions or any other experts or professional advisers, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Guarantor and the Bondholders. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

None of the Trustee or the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default or a Special Event has occurred, and they shall not be liable to the Bondholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible or liable for the performance (financial or otherwise) by the Issuer, the Guarantor and/or any other person appointed by the Issuer or the Guarantor in relation to the Bonds or the Guarantee of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer (or the Guarantor, as the case may be) to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction, or clarification of any directions, to seek directions from the Bondholders by way of an Extraordinary Resolution or given as otherwise contemplated or permitted by the Trust Deed and/or the Bonds, and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction as a result of seeking such direction where the Trustee is seeking such directions from Bondholders or in the event that no such directions are received by the Trustee, or as a result of any action taken by it in accordance with the approval, directions or instructions of the Bondholders.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, directions, request or resolution of the Bondholders. The Trustee shall be entitled to conclusively rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of, and investigation into, the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

14. **FURTHER ISSUES**

The Issuer (with the prior written consent of the Guarantor) may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds (or having the same terms and conditions except in respect of the first payment of interest and their issue price, and so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Bonds) and so that the same shall be consolidated and form a single series with such Bonds, and references in these Conditions to "**Bonds**" and "**Bondholders**" shall be construed accordingly.

15. **NOTICES**

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer and the Guarantor shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Holders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. **RIGHTS OF THIRD PARTIES**

Without prejudice to Condition 9(e), no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

17. **GOVERNING LAW AND JURISDICTION**

- (a) **Governing Law:** The Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law except that the subordination provisions set out in Conditions 3(a) and 3(b) are governed by, and shall be construed in accordance with, Singapore law and ROC law, respectively.
- (b) **Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Bonds and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Cogency Global (HK) Limited at Room 2303, 23/F, The Sun's Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong as its agent in Hong Kong to receive, for it and on its behalf, service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor irrevocably agrees to appoint a substitute process agent and shall immediately notify Bondholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

THE GLOBAL CERTIFICATE

The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream.

The Issuer will, for value received, promise to pay to the Holder of the Bonds represented by the Global Certificate the amount payable upon redemption under the Terms and Conditions of the Bonds in respect of the Bonds and to pay interest in respect of such Bonds from and including the Issue Date in arrear at the rates, on the dates for payment, in accordance with the method of calculation provided for in the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds, all subject to and in accordance with the Conditions.

PAYMENT

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

EXCHANGE

Owners of interests in the Bonds in respect of which the Global Certificate will be issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if Euroclear or Clearstream or any other clearing system through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Holders of the Bonds. A person with interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Registrar may require to complete, execute and deliver such individual definitive Certificates.

MEETINGS

For the purposes of any meeting of Holders of the Bonds, the Holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Holders of the Bonds and as being entitled to one vote in respect of each U.S.\$1,000 of the Bonds.

NOTICES

Notices required to be given in respect of the Bonds represented by the Global Certificate may be given by their being delivered (so long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or such Alternative Clearing System) to Euroclear, Clearstream or any Alternative Clearing System for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

TRUSTEE'S POWERS

In considering the interests of Holders of Bonds while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the Holders of the Bonds in respect of which the Global Certificate is issued.

CANCELLATION

Cancellation of any Bond represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of Holders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the relevant schedule of the Global Certificate.

EXCHANGE RATES

The following table sets forth the average, high, low and period-end exchange rates between the New Taiwan dollar and the U.S. dollar (in NT\$ per U.S.\$1.00) at the noon buying rate in New York City for cable transfers in foreign currencies for the periods indicated (the Noon Buying Rate).

	Years Ended 31 December			
	New Taiwan Dollars/U.S. Dollars Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
2016	31.05	32.23	33.74	32.40
2017	29.64	30.40	32.37	29.64
2018	29.03	30.13	31.00	30.61
2019	29.91	30.90	31.63	29.91
2020	28.08	29.46	30.45	28.08
2021	27.56	27.94	28.59	27.74
2022	27.52	29.80	32.37	30.73
2023	29.70	31.15	32.47	30.62
2024				
January	30.81	31.21	31.60	31.29
February	31.22	31.43	31.65	31.62
March	31.41	31.69	32.01	31.93
April	32.02	32.34	32.64	32.58
May	32.12	32.33	32.56	32.48
June	32.23	32.38	32.55	32.45
July	32.42	32.65	32.88	32.69

Source: www.federalreserve.gov

Note:

(1) Determined by averaging the rates on each business day during the relevant period.

The Group's publish its financial statements in New Taiwan dollars and in accordance with Taiwan-IFRS. This Offering Circular contains translation of New Taiwan dollar amounts into U.S. dollars at specific rates solely for your convenience. Unless otherwise noted, all translations from New Taiwan dollars to U.S. dollars and from U.S. dollars to New Taiwan dollars in this Offering Circular were made at a rate of NT\$32.45 to U.S.\$1.00, the noon buying rate in the City of New York for cable transfers payable in New Taiwan dollar as certified for customs purposes by the Federal Reserve Bank of New York on or nearest to 30 June 2024. No representation is made that the New Taiwan dollar or U.S. dollar amount referred to in this Offering Circular could have been or could be converted into U.S. dollars or New Taiwan dollars, as the case may be, at any particular rate or at all.

DESCRIPTION OF THE ISSUER

INCORPORATION

The Issuer is a directly wholly-owned subsidiary of the Guarantor and was incorporated on 26 July 2024 as a private company limited by shares (UEN: 202430489R) under the Companies Act 1967 of Singapore. The registered office of the Issuer is located at 1 Marina Boulevard, #28-00, One Marina Boulevard, Singapore 018989.

BUSINESS ACTIVITIES

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to its constitution. The Issuer's main business activities include entering into arrangements for the issue of bonds with capital characteristics pursuant its constitution, including the Bonds, and any other activities in connection thereto. As of the date of this Offering Circular, there are no material assets held by the Issuer and the Issuer has not, since its incorporation, engaged in any material activities other than those relating or incidental to its registration and the authorisation of documents and agreements as may be referred to in this Offering Circular.

DIRECTORS

As at the date of this Offering Circular, the sole director of the Issuer is Low Shih Nin.

SHARE CAPITAL

The issued share capital of the Issuer is U.S.\$20,000,000 and is fully paid-up. As at the date of this Offering Circular, no part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this Offering Circular, the Issuer has no subsidiaries.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened actions against it.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth (i) the Group's audited consolidated capitalisation as of 30 June 2024 on an actual basis; and (ii) the Group's consolidated capitalisation as of 30 June 2024, as adjusted for the issuance of the Bonds before deducting the underwriting commissions and other estimated expenses payable by the Group in connection with the offering of the Bonds. The following table should be read in conjunction with the Group's financial statements and the notes thereto included elsewhere herein.

	As at 30 June 2024			
	(Actual) (Audited)		(As adjusted) (Unaudited)	
	(NT\$ in thousands)	(U.S.\$ in thousands ⁽¹⁾)	(NT\$ in thousands)	(U.S.\$ in thousands ⁽¹⁾)
Borrowings:				
Short-term debt.....	9,703,644	299,034	9,703,644	299,034
Bonds payable.....	61,040,000	1,881,048	61,040,000	1,881,048
Bonds to be issued.....	-	-	22,715,000	700,000
Total borrowings	70,743,644	2,180,082	93,458,644	2,880,082
Equity:				
Common stock.....	146,992,460	4,529,814	146,992,460	4,529,814
Capital surplus.....	9,187,500	283,128	9,187,500	283,128
Legal reserve.....	49,419,333	1,522,938	49,419,333	1,522,938
Special reserve.....	218,536,970	6,734,575	218,536,970	6,734,575
Undistributed earnings.....	25,588,157	788,541	25,588,157	788,541
Other equity interest	(75,491,637)	(2,326,399)	(75,491,637)	(2,326,399)
Total equity	374,232,783	11,532,597	374,232,783	11,532,597
Total capitalisation and indebtedness⁽²⁾	444,976,427	13,712,679	467,691,427	14,412,679

⁽¹⁾ The translation of New Taiwan dollars into U.S. dollar amounts has been made at the rate of NT\$32.45 to U.S.\$1.00, the noon buying rate as set forth in the H.10 Statistical release of the Federal Reserve Bank of New York on or nearest to 30 June 2024.

⁽²⁾ Total capitalisation and indebtedness equal total borrowings plus total equity.

Save as disclosed in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2024.

DESCRIPTION OF THE GROUP

OVERVIEW

The Company was founded in July 1963 as the Taiwan subsidiary of AIG as one of the first insurers in Taiwan. In August 2011, Ruen Chen acquired the Company's shares held by AIG and American General Life Insurance Company, making Ruen Chen become one of the Company's major shareholders and converting the Company into a local enterprise. The Group is currently the largest non-financial holding life insurance company in Taiwan in terms of gross written premiums. The Company is rated "A-" with a stable outlook by Fitch for insurer financial strength and "BBB+" with a stable outlook by S&P for international credit rating.

With a focus on high-margin products, the Group offers a full range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance. The full range of products and services allows the Group to cater to different customers' needs. The Company has developed a comprehensive service network with 25 branches and 291 offices across Taiwan as of July 2024. Committed to people and the well-being of society, the Company provides insurance services to more than a quarter of Taiwan's population with approximately 6.6 million policyholders, 12 million valid policies and 37,000 corporate enterprises clients as of 30 June 2024.

In 2023, the Company recorded NT\$270 billion in gross written premiums and the Group generated a net income of NT\$22 billion. As of 31 December 2021, 2022 and 2023, the Group's total assets were NT\$5,289 billion, NT\$5,276 billion and NT\$5,386 billion, respectively, and the Group's total liabilities were NT\$4,778 billion, NT\$4,994 billion and NT\$5,043 billion, respectively.

Aside from the above financial and operational results, the Company also measures the scale and profitability of its business using various key performance indicators as set out in the *"Selected Financial Information"* section, including:

- The ratio of long-term and protection-oriented products: the ratio measures the first year premiums from long-term and protection-oriented products to the total first year premiums.
- Investment Yield Recurring Investment Yield before Hedge and Foreign Exchange and Investment Yield After Hedge and Foreign Exchange ("**Investment Yields**"): the Investment Yields measure the return of the Group's total investment asset.
- Return On Average Equity ("**ROAE**"): the ROAE is calculated by dividing net income for the year or reporting period by weighted average balance of total shareholders' equity during the year or reporting period (on an annualised basis).
- First Year Premiums Equivalent ("**FYPE**"): the FYPE is calculated by multiplying FYP with the payment period coefficient. The payment period coefficient for payment periods of six years or longer (inclusive) is calculated at 100 per cent. For payment periods shorter than six years, 50 per cent. discount is applied for a five-year payment, with a 10 per cent. discount for each payment period that is shorter by one year. FYPE measures the business sales in the life insurance industry and is used to compute life insurance industry's new business value more accurately when the sales contain both lump-sum premium payments and recurring premium payments.
- Persistency Ratio (13 months and 25 months): persistency ratio is the ratio of life insurance policies receiving timely premiums in the year and the number of net active policies. The ratio indicates how many policyholders are paying the due premiums regularly on the policies with the insurer.

See *"Risk Factors – Risk Factors Relating to The Business of The Group - A number of the Company's key performance indicators are calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed"* for a discussion of the relevant risks in relation to the above key performance indicators.

The Group is committed to the well-being of the Taiwanese people. The Group upholds its core value of being "people-oriented" and lives up to its social responsibility by providing microinsurance to help the disadvantaged obtain basic accident insurance protection. By establishing Health Guardian Circle in 2020, the Group also safeguards Taiwanese people's health needs via innovative spillover-effect insurance policies that promotes a healthier lifestyle by building in wellness reward mechanisms exclusive for different groups. In 2023, the

Company won the Finalist "Best Health Insurance Company of the Year" at the Asia Insurance Industry Award. As of 31 December 2023, the Company ranked first in terms of the number of spillover-effect insurance policies sold.

In addition to its main insurance business, the Group is also an industry leader of sustainable insurance. In response to the government's net-zero emission by 2050, the Group has conducted carbon footprint inventories in line with international ISO standards. Through a complete inventory process and scientific and systematic data integration and calculations, the Group has passed the verification by an international third party institution and completed the transparency and disclosure of carbon information, being the first insurance company in Taiwan to have obtained the Property Insurance Service Carbon Label and the Electronic Policy Carbon Label.

HISTORY

As one of the first insurers in Taiwan, the Company was founded in July 1963 as the Taiwan subsidiary of AIG, inheriting a sound corporate and operational culture, a prudent risk management system and deep-rooted knowhow in insurance, actuarial and investment products from its former shareholder. In 1972, the Company introduced the first group insurance policy in Taiwan and began to focus on selling such policies to small and medium-sized enterprises in Taiwan. In August 2011, Ruen Chen acquired 97.5% of the Company's shares held by AIG and American General Life Insurance Company, making Ruen Chen become one of the Company's major shareholders and converting the Company into a local enterprise. Ruen Chen is a Taiwanese-funded company jointly established by Ruentex Group and Pou Chen Group, both of which are longstanding companies with successful operations and outstanding reputations in Taiwan, enabling the Group to leverage on their local expertise and household branding. In July 2016, the Company acquired 100% of equity in AIG Taiwan Insurance Co., Ltd. ("**AIG Taiwan**"), which became a wholly-owned subsidiary of the Company renamed as Nan Shan General Insurance Company, Ltd., marking the beginning of the Group's two-pronged era of property insurance and life insurance business, providing a one-stop shop for products and services to help individual and corporate clients customise personal life and health insurance, group insurance, group annuity, and property insurance, among other insurance products. As part of its growth, the Company has also benefited from the financial support from its shareholders and employees with two rounds of capital raising being conducted in 2012 and 2019 (based on the registration approval date), raising NT\$13.7 billion and NT\$24.5 billion, respectively. Over the journey of 60 years, the Group has achieved significant growth and is today a top life insurance franchise in Taiwan, being consistently a top three life insurer in terms of total assets and gross written premiums and recording a steady growth of total assets with a compounded annual growth rate of 10% since 2011.

AWARDS

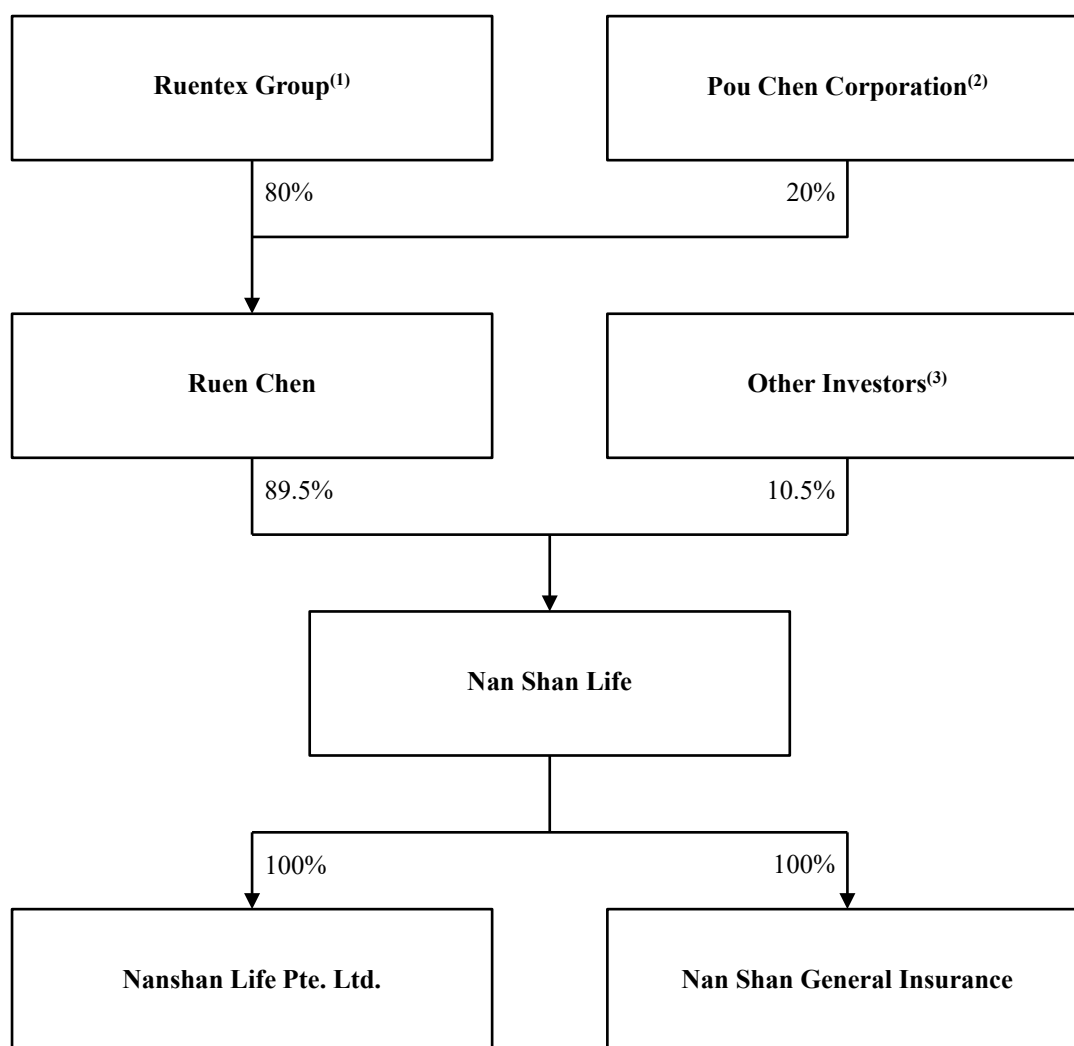
The Company has been an award winning and favoured insurance brand. In 2023, the Company was awarded "Taiwan's Best Life Insurance Company" for 11 consecutive years by Global Banking & Finance Review, a British professional financial website, awarded for five consecutive years by Insurance Asia Magazine, an Asian financial media and for the past seven years by International Finance Magazine. In recognition of its achievements, the Company has also received numerous awards, which include the following:

<u>Areas of recognition</u>	<u>Year</u>	<u>Awards</u>
Product Research & Development	2023	• "Financial Supervisory Commission – Insurance Competition" – 1st Place in "Promoting Micro-Insurance – Insurance Company Category" • "National Brand Yushan Award" – Best Product Category – First Prize / Yushan Award • "Taiwan Insurance Excellent Performance" – Excellence in Product Innovation - Silver Award
Health Protection	2023	• Finalist of Health Insurance Company of the Year by "Asia Insurance Industry Awards" • Elder-friendly Award by "China Times Financial Service Evaluation Awards" • Innovation in Health & Wellness – Remote Health Management Bronze Award by "Asia Pacific Stevie Awards"

	2022	• Health Insurance Company of the Year by "Asia Insurance Industry Awards"
	2021	• Winner of Best Health Insurance Company of the Year at the "Asia Insurance Industry Award"
Customer Equality	2024/ 2023	• Innovation Service Award by "Commercial Times" • Top 25% of "Assessment of the Implementation of Treating Customers Fairly Principles" by FSC
	2022	• Best Progress Award and Top 25% of "Assessment of the Implementation of Treating Customers Fairly Principles" by FSC
Customer Service	2023	• "Wealth Magazine Taiwan Financial Award" Best Life Insurance Customer Recommendation – Excellent Award • Digital Service Excellent Award by "Commercial Times Digital Financial Service Award" • "National Brand Yushan Award" Best Popularity Brand Category – Yushan Award
ESG	2024	• Top 20% of the insurance industry in the first "Sustainable Finance Assessment" • Elder Friendly Excellence Award by "Global Views Monthly Magazine's ESG Awards" • Health Promotion and Corporate Sustainability Report Award by "Asia Responsible Enterprise Awards" • Human Investment and Corporate Sustainability Report Award by "Asia Responsible Enterprise Awards"
	2023	• Taiwan Sustainable Enterprise Excellence Award by "Taiwan Corporate Sustainability Awards"

CORPORATE STRUCTURE

The following is a simplified corporate structure of the Group as of the date of this Offering Circular:



Notes:

- (1) Ruentex Group holds Ruen Chen, via Ruentex Development Co., Ltd. (25%), Ruentex Industries Limited (23%), Huei Hong Investment Co., Ltd. (18%), Changchun Investment Co., Ltd. (10%) and Yitai Investment Co., Ltd. (4%). Ruentex Group engages in textiles, construction, financial, healthcare and retail businesses. It is the fifth largest company in Taiwan by total assets with more than NT\$5.6 trillion as of 31 December 2023.
- (2) Pou Chen Corporation is one of the largest sports clothing and footwear manufacturers in Greater China.
- (3) Mainly includes other Ruentex-related companies, the Group's management team and employees.

COMPETITIVE STRENGTHS

The Group has been the leading life insurer in Taiwan's insurance market. Its principal strengths include:

Household brand with leading market position in the industry

The Group has been established for over 60 years and is widely recognised as a prestigious household brand with a rich history and affluent associations and roots in Taiwan. The Group's history can be traced to 1963 when it was formed as the Taiwan subsidiary of AIG, who later sold its shares in the Company to Ruen Chen in 2011, enabling the Company to leverage on its shareholder's local expertise and household branding in Taiwan.

Over the journey of 60 years, the Group has achieved significant growth and holds one of the leading positions in the life insurance market in Taiwan. The Group is currently the largest non-financial holding life insurance company in Taiwan in terms of gross written premiums and net income. In 2023, the Company recorded NT\$270 billion in gross written premiums, ranking first amongst non-financial holding life insurance companies and third amongst life insurance companies in Taiwan with 12.3% market share. In terms of first year premiums, the

Company ranked first for protection and elderly products and second for accident and health products amongst life insurance companies in Taiwan in 2023. In terms of renewal premiums, the Company ranked third amongst life insurance companies in Taiwan. In the same period, the Company recorded NT\$22 billion in net income, ranking first amongst non-financial holding life insurance companies and second amongst life insurance companies in Taiwan with 25.3% market share. As of 31 December 2023, the Group's total assets reached NT\$5,386 billion, ranking third amongst life insurance companies in Taiwan.

Comprehensive and innovative products to meet different customer needs

The Group offers a one-stop shop with products and services to meet individual and corporate clients' insurance needs, covering a comprehensive range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance, which provide protection against a policyholder's death, disability, illness, accident or other events, as well as meeting their saving needs.

The Group has also offered various health insurance products to its customers that are the first of its kind, targeting different groups of customers and keeping pace with evolving health needs. For example, to address the risk of childbirth at an advanced maternal age, as people generally marry and have children at an older age, the Group launched Nan Shan Life Mommy Care Term Insurance, the first product in the industry in Taiwan that offers infertility specific In vitro fertilisation ("IVF") insurance benefits that encourage childbirth by reducing the cost burden of IVF for those who suffer from infertility. To reduce out-of-pocket healthcare expenses for cancer treatments with the advent of precision medicine and advanced treatment methods, the Group is the first in the industry to include heavy particle on therapy for cancer treatment in its coverage, allowing policyholders to receive high-quality, advanced therapies and to provide security to themselves and their families. In recognition of its innovative insurance products offered, the Company was awarded in 2023 the first place for best product in the National Brand Yushan Award and the silver award for, amongst others, product innovation project planning at the 10th Insurance Excellence Awards.

In preparation of the adoption of IFRS 17 and ICS for Taiwan's life insurance companies, the Group has increasingly enhanced its focus on offering regularly paid protection-oriented life insurance products, which has a higher contractual service margin ("CSM") with long-term regular payments from policyholders.

Leading health business empowered by value-add services

To realise the goal of supporting the health of the Taiwanese people, the Group established the Health Guardian Circle in 2020, a one-stop life map that focuses on the four important health stages of life being health, sub-health, illness, and disabilities, marking a shift from the Group being a mere provider of insurance to becoming a collaborative partner in customers' health management. As of 31 December 2023, the Company has offered more than 150 value-added services in a holistic and complete system, targeting healthy and sub-healthy users, with the primary goal of maintaining the health of Taiwanese people, helping to create healthy lifestyles and delaying the occurrence of diseases, as well as diseased and disabled users by providing care solutions for Taiwanese people to get well again.

By combining insurance and health concepts via spillover-effect health insurance policies, the Company encourages policyholders to prevent health risks by building in wellness reward mechanisms. Through the sales of spillover-effect insurance policies, the Company has created a win-win situation for itself and policyholders by reducing the probability of claims from policyholders who are incentivised to develop healthier lifestyles. As an example, to encourage policyholders to receive their dental health check-ups regularly, the Company, as the first of its kind in the industry, has introduced a dental insurance policy incorporating a spillover mechanism, which offers dental health care rewards to policyholders who furnish medical receipts for dental cleaning. For the sake of protection enhancement, the Company has also introduced an innovative concept to protection-based products, allowing "one-year term life products" to be purchased using value-added bonus. The Company's health promotion products in terms of number of new contracts ranked first in the industry for five consecutive years and have been well recognised by the market. In 2022, the Company was awarded the "Best Health Insurance Company of the Year" at the Asia Insurance Industry Award. As of 31 December 2023, the Company sold approximately 600,000 spillover-effect insurance policies, ranking first in terms of the number of such policies sold amongst life insurers in Taiwan.

In addition to being committed to meet customers' diverse health needs, the Company has invested considerable resources in its customer care services, which contributed to its leading persistency ratio, which was the highest amongst the top three life insurance companies in Taiwan as of 31 December 2023. To allow policyholders to

enjoy its service anywhere, the Company has created a platform that allows customers to enjoy a seamless online insurance application and purchase experience. In the event of a major accident, policyholders are able to immediately initiate a claim online with assistance provided. To facilitate policyholders' payment of hospital bills, the Company launched a receipt-free claims service that enables the deduction of medical expenses from benefit(s) to be paid. Other convenient services provided by the Company include features such as QR Codes to access audio services, Braille books, mobile hearing aids, special hotlines and home consultation for senior citizens.

Stable agency and bancassurance distribution channels

One of the Group's core competitive strengths lies in its effective and multiple distribution channels. The Group's distribution channel adopts the twofold agency and bancassurance model, which are instrumental to increasing the sales of its insurance products.

As of 30 June 2024, the Company has a nationwide distribution channel of around 36,000 agents, ranking third in the industry, which target the mass market with the Group's protection-oriented products, including health insurance and accident insurance. The Group provides a comprehensive and structured training program to its agents through its College Programs. As a result of the comprehensive training and the clear career progress path offered, the number of the Company's insurance agents meeting the elite Million Dollar Round Table ("MDRT") standard reached 1,523, ranking second in Taiwan and eleventh globally within the industry in 2023 (improving from 18th in last year's ranking). The Company is the only life insurer in Taiwan awarded "Best Insurance Agency Business" for 28 consecutive years by RMIM Inc..

The Company's distribution channels also include bancassurance arrangements featuring an open architecture structure with a wide range of partners including 40 leading financial institutions and more than 20 bank partners, such as E. Sun Bank, Bank of Taiwan, DBS, Mega Bank and Union Bank of Taiwan, which grant it access to more than 3,500 sales outlets across Taiwan, access to affluent bank customers and a pool of customer deposits that is more than NT\$45 trillion. For the year ended 31 December 2023, among the top five bancassurance partners that generate the most FYP for the Company, the Company is the top insurance partner for three of such five bancassurance partners. The Company's bancassurance arrangements target the affluent customer segment and distribute products, such as whole life insurance, term life insurance, health insurance and accident insurance. The stable distribution channels that are within the Company's control underpin the Company's business resilience.

High Quality and Well-diversified Investment Portfolio with Superior Credit

The Group invests the premiums and other income generated from its insurance business. The Group's success in investment management contributes to the competitiveness of its products, its financial strength and its business reputation. The Group's investment philosophy is to establish a high quality and well-diversified investment portfolio with stable and long-term growth in order to increase return while at the same time safeguarding the assets entrusted to it by its customers by supporting benefit payments of long-term insurance contracts. As of 30 June 2024, the Company's total investment portfolio reached NT\$5,433 billion.

To meet its investment needs to strength its asset and liability management, the Company has in recent years started to pursue a strategic investment allocation plan with an emphasis on overseas fixed income investment. As a result, the Company's overseas fixed income investment increased as a percentage of the Company's investment portfolio from 59.8% as of 31 December 2021 to 64.3% and 64.4% as of 31 December 2022 and 2023 to 65.8% as of 30 June 2024, respectively. As of 30 June 2024, the Company's investment on overseas fixed income reached NT\$3,577 billion.

The Company's overseas fixed income allocation, totalling at NT\$3,577 billion as of 30 June 2024, reflects a broad diversification of investment across asset type, ratings, region and sector, which enables the Company to diversify risk while benefiting from investment opportunities. The Company's overseas fixed income investment is divided amongst a mixture of asset types, including financial bond, corporate bond, government bond and other products, comprising 36%, 33%, 27% and 5%, respectively, of the Company's overseas fixed income as of 30 June 2024. The Company's overseas fixed income investment has a strong credit quality, which are mostly rated A or above by rating agencies, with 39% being rated A, 23% being rated AA, 14% being rated AAA, 20% being rated BBB and 4% or being rated BB or below. In terms of geographical distribution, the Company invests in overseas fixed income products in North America, Europe, Asia and other parts of the world, comprising 53%, 21%, 18% and 8%, respectively, of the Company's overseas fixed income as of 30 June 2024. The majority of such overseas fixed income investment is denominated in U.S. dollar, which comprises 99.6% of the Company's overseas fixed income investment, spreading across principal investment targets such as long-term sovereign bonds and investment-grade corporate/financial bonds of European and American countries and selected emerging

market countries. The Company's bond positions have a diversified duration profile, with an average duration of 13-17 years.

Strong Capital Position and Proven Business Sustainability

The Company maintains a strong RBC ratio and equity to asset ratio, which are both significantly above the regulatory requirement. As of December 31, 2021, 2022 and 2023 and 30 June 2024, the RBC ratio of the Company was 327.01%, 292.42%, 280.30% and 281.77%, respectively, which was well in excess of the regulatory requirement of 200%. As of December 31, 2021, 2022 and 2023 and 30 June 2024, the equity to asset ratio of the Company was 10.09%, 5.55%, 6.66% and 6.99%, respectively, surpassing the regulatory requirement of 3.00%.

STRATEGIES

The Group's main strategies are set out below:

Enhanced focus on high margin protection products

In preparation of the adoption of IFRS 17 and ICS for Taiwan's life insurance companies, the Group has increasingly enhanced its focus on offering regularly paid protection-oriented life insurance products, which has a higher CSM with long-term regular payments from policyholders. As IFRS 17 is based on a discounted cash flow model with risk adjustment and deferral of unearned profits, profits earned under an insurance contract would be released over its duration as insurance revenue, which is released in each reporting period in an amount that reflects the insurance contract services provided under the relevant period. As such, products with higher CSM and long-term regular payments help secure a more stable growth. Contributions to FYP from regular-paid insurance products has significantly increased from 23% in 2021 to 34% and 41% in 2022 and 2023, respectively. In addition, the Company is ranked first in terms of FYP for protection and elderly products in 2023 amongst life insurers in Taiwan. Contributions to FYP from accident and health insurance products also gradually increased from 7% in 2021 to 10% and 13% in 2022 and 2023, respectively. Contributions to gross written premiums from long-term life insurance products with a payment term of six years or more increased from 21% in 2021 to 34% in 2022 and 2023.

Continuing to provide better health insurance and long-term care products for customers

The increased life expectancy, early retirement, high-saving rates and the relative low public health expenditure in Taiwan offer significant opportunities for the insurance sector in the areas of health insurance and long-term care products. The needs for elderly care in Taiwan have surged and products for the elderly have become an essential retirement protection for the Taiwanese people.

Facing the rapid changes in Taiwan's demographic structure, the Group has been working on the creation of a cross-sector ecosystem to improve service empowerment in order to further increase customer loyalty. To do so, the Group will continue to work with its partners in the big-health industry to develop its Health Guardian Circle to extend people's healthy life expectancy through value-added services featuring wellness and healthcare throughout the entire health process to help customers improve their health. The Group has recently deployed the BAM App, a health management application that estimates users' biological age (an assessment of a user's physiological age, as opposed to their chronological age) and combines digital health with insurance products. The Group will continue to promote personal health management by developing innovative digital health products with exclusive cross-sector partners to provide a seamless digital experience in order to meet customer expectations.

By adopting a "product value enhancement + spillover mechanism", the Group will continue to combine health benefits and health spillovers to create insurance value for its customers through thoughtful and customised products and services to help customers prevent health risks and to develop a healthier quality of life in the four important health stages of life (health, subhealth, illness, and disabilities), realising the Group's goal of maintaining the health of Taiwanese people through insurance products that have a high CSM.

Improving customer experience through digital innovation and personalisation

In response to the general trend towards digitalisation, the Group aims to pursue digital transformation focusing on data empowerment, digital ecosystem and technological innovation in order to strengthen digital competitiveness and transform value creation.

The Group seeks to utilise data as the key drive to achieve its marketing goals. Adopting data for segment marketing based on its customers' perspective, the Group will aim to establish a matchmaking platform to create a 360° profile of its customers to identify potential sales opportunities. Through the collection of data, modelling, labelling and conducting analysis using artificial intelligence, the Group develops customised profiles and precise prediction of potentials for each customer. Once high-potential customers are identified, the salesperson could efficiently prepare individual sales strategies to optimise its sales. As the Group continues to enhance and perfect such digital tools, it will be able to better understand customers' needs and potentials, provide more personalised insurance plans and optimise its marketing strategies.

Utilising its digital capabilities, the Group also uses digital marketing on different platforms to exhibit protection related topics and raise awareness for insurance needs. In 2023, Nan Shan General Insurance launched its LINE official account, shifting communication channels from phone calls, text messages and emails to a mobile customer service platform. To simplify the promotion of insurance knowledge and make it more accessible to the public, Nan Shan General Insurance revamped its official website to allow customers to more quickly understand the features and advantages of various types of insurance products. The Group will continue to utilise digital technologies to improve customer contacts and communications to meet the evolving needs of its customers.

Further diversifying its distribution channels

The Group's distribution channel adopts the twofold agency and bancassurance model. In 2023, due to the continuous interest rate hikes, banks prioritised wealth management products other than life insurance products, impacting sales through the Group's bancassurance channel. Despite that, the Group will continue to follow its value-driven strategy and improve the resilience of its bancassurance channel. The Group will strike a balance between agent and bancassurance channels, to reduce the reliance on any specific channel and mitigate the impact of any single channel on the Group's business. The Group will also boost sales performance through both channels in order to reduce the channel concentration risk and support the overall business growth. In 2023, to support the bancassurance channel in distributing health insurance products, the Group added single disease-specific health benefits to general life products and simplified product designs to help its wealth advisors to easily understand product features. By introducing its competitive products portfolio to its distribution channels, the Group strives to make its leading products promoted or carried by such agents and banks.

The Group will also continue to optimise training mechanisms to guide its agents towards long-term protection-oriented life insurance products with a higher CSM and enhance their market competitiveness through innovative service and digital empowerment to accelerate the pace of sales transformation. The Group will provide its agents with efficient mobile digital tools to help agents access information seamlessly, simplify insurance process, increase paperless applications and to provide instant and convenient mobile services.

As the FSC has been gradually relaxing relevant regulations and encouraging industry players to accelerate technology adoption, in 2024, the Group will focus on improving customer experience throughout the sale cycles, creating digital experience for customer acquisition, retention and conversion. The Group seeks to explore more digital insurance business opportunities and increase online to offline sales ratio. It will further upgrade its insurance mobile application to provide sleeker and more secure customer service experience.

PRODUCTS

The Group offers a full range of insurance products, including life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance, online insurance and general insurance. As of 30 June 2024, the Company offers, 44, 55, 21, 4, 8, 97 and 18 products for life insurance, health insurance, accident insurance, annuity insurance, investment-linked insurance, group insurance and online insurance, respectively.

In preparation of the adoption of IFRS 17 and ICS for Taiwan's life insurance companies, the Group has increasingly enhanced its focus on offering regularly paid protection-oriented life insurance products, which has a higher CSM with long-term regular payment from policyholders. As a result, contributions to FYP from regular-paid insurance products has significantly increased from 23% in 2021 to 34% and 41% in 2022 and 2023. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, traditional life insurance policies with payment terms of six years or more accounted for 21%, 34%, 34%, 35% and 36% of the Company's premium income. Contributions to FYP from accident and health insurance products also gradually increased from 7% in 2021 to 10% and 13% in 2022 and 2023, respectively. For the six months ended 30 June 2024, the FYP of health and accident insurance products were largely in line with the six months ended 30 June 2023 in terms of actual sales amount. As a matter of product strategy, the Group is focusing on protection-oriented products and aims to gradually replace most saving-type products with investment-linked products, but the Group

will continue to offer certain basic saving-type products such as annuity insurance products to satisfy customers who have a lower risk tolerance level. In March 2024, the Company resumed the sales of investment-linked products. To reduce foreign exchange risk and currency mismatch risk, the Group is focusing on U.S. dollar denominated products, which have a more stable profit margin compared to NTD denominated products. As for NTD denominated products, the Group mainly offers health and accident insurance products to provide a more comprehensive insurance protection to customers.

The following table sets out the first year premium received by the Company from each product category for the financial years indicated:

	Years ended 31 December						Six months ended 30 June			
	2021		2022		2023		2023		2024	
	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)
First Year Premiums										
Traditional life insurance	68.5	69	48.7	67	43.8	71	23.3	72	20.6	53
Annuity insurance	14.7	15	7.5	10	4.1	7	2.2	7	1.4	4
Investment-linked insurance	9.3	9	9.2	13	5.6	9	2.8	8	12.5	33
Health, accidents and other insurance	6.9	7	7.5	10	8.3	13	4.2	13	3.9	10
Total	99.4	100	72.9	100	61.8	100	32.5	100	38.3	100

The Company's insurance products have generated a high persistency ratio. As of 31 December 2021 and 2022, the Company recorded a 13-month persistency ratio of 97.5% and 98.1%, respectively, and a 25-month persistency ratio of 96.6% and 96.5%, respectively. As of 31 December 2023, the Company had the highest persistency ratio amongst life insurance companies in Taiwan, recording a 13-month persistency ratio of 97.4% and a 25-month persistency ratio of 96.2%.

A description of each of the Company's product categories is set out below.

Traditional Life Insurance

The Company's traditional life insurance mainly includes whole life insurance and term life insurance.

Whole Life Insurance. The Company's whole life insurance products provide a guaranteed benefit to the beneficiary upon the death and total permanent disability of the insured person, or a cash surrender value upon the early termination of the policy by the policyholder, in each case as predetermined by the contract, in return for periodic payment of fixed premiums over a predetermined period. Premium payments may be required up to a specified age or for a specified period, and are typically level throughout the period. One of the Company's key whole life insurance products is interest sensitive whole life insurance, which offers the potential for cash value growth tied to prevailing interest rates.

Term Life Insurance. Term life insurance products provide a guaranteed benefit to the beneficiary upon the death and total permanent disability of the insured person within a specified time period in return for periodic payment of fixed premiums. Specified coverage periods are generally for 1, 6, 10, 20 and 30 years or for specified ages. Premiums are typically set as a fixed sum for the coverage period and are generally lower than premiums for whole life insurance products. In their basic form, term life insurance policies function as pure protection products, in that they normally have little or no savings or investment elements and typically expire without value at the end of the coverage period if the insured person is still alive. The Company is actively developing its term-life products offering to gradually shorten the guaranteed period.

The Company offers life insurance on both an individual and a group basis. The Company's individual life insurance offering includes endowment, term life and whole life insurance, which provides coverage for survival benefit, death or disability benefit during the policy period. The Company's group insurance plan provides one year term-life insurance for the employees of enterprises or members of association.

The Company also offers savings insurance products that provide the policyholder with a guaranteed maturity benefit if the insured person survives a specified maturity or period stated in the policy, and provide to a beneficiary designated by the policyholder a guaranteed death benefit upon the death and total permanent disability of the insured person within the coverage period, in return for periodic payment of premiums. The coverage period would usually be the insured's whole life. Premiums are typically set as a fixed sum and are usually required to be paid in a lump sum payment or over a predetermined payment period.

Annuity Insurance

The Company offers annuities that are used by its customers to accumulate assets over an accumulation period and then to receive annuity payments in later years. As of 30 June 2024, the Company offered four annuity insurance products. Holders of its annuities pay premiums either in a lump sum payment or on a periodic basis over a predetermined period and receive periodic annuity payments during the payoff period specified in the contract. Typically, the policyholder receives periodic annuity payments if the insured person survives during the payoff period, and the beneficiary designated by the policyholder receives a death benefit if the insured person dies prior to the start of the payoff period.

Investment-linked Insurance

The Company has returned to the investment-linked product market in 2024. As of 30 June 2024, the Company offered 8 investment-linked insurance products. The Company's investment-linked insurance plan combines investment and protection, with part of the premiums invested in a wide range of investment choices. Unlike traditional products however, the benefits vary based on the performance of the related investment.

The Company expects to gradually replace part of traditional savings products with investment-linked products because they do not incur interest rate risk and require low capital charge. The Company aims to increase long tenure policyholders thereby contributing to higher asset-under-management and more stable expense gain.

Investment-linked products generally provide a return linked to an underlying investment portfolio designed by the policyholder. Investment-linked products provide the flexibility to adjust the balance between protection cover and wealth accumulation over the policyholder's lifetime. The Company aims to continue the development of diversified investment products.

Health, Accidents and Other Insurances

The Company's health and accident policies are its key protection-oriented products. As of 30 June 2024, the Company offered 76 life insurance products. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the Company received premiums from its health and accident insurance products in the amounts of NT\$6.9 billion, NT\$7.5 billion, NT\$8.3 billion, NT\$4.2 billion and NT\$3.9 billion representing 7 per cent., 10 per cent., 13 per cent., 13 per cent., and 10 per cent. of its first year premium. The Company's sales of health and accident insurance products have been growing over the past three years both in terms of the amount of premium earned and its share of its first year premium. In 2021, the Company earned a premium of NT\$6.9 billion from its health and accident insurance products, which represent 7 per cent. of its first year premium, while in 2023, the amount of premium earned from such products grew to NT\$8.3 billion, representing 13 per cent. of its first year premium.

Health Insurance

The Company offers an individual health insurance plan that provides compensation for medical and surgical expenses from illness or accidents. The Company also offers a group insurance plan that provides health insurance for the employees of enterprises or members of association.

The Company offers defined health benefit insurance products and medical expense reimbursement insurance products to individuals. The Company's defined health benefit insurance products mainly include hospitalisation indemnity, surgery indemnity, dread diseases, cancer and long-term care products. The Company also continuously develops health insurance products to meet its customers' evolving health needs. For instance, the Company has included an innovative transcatheter aortic valve implantation into the scope of its dread disease products. The Company also offers comprehensive defined health benefit insurance products, which the Company believe are particularly attractive to customers who are comparatively price-sensitive and are seeking to protect against specific combinations of health events. The Company's medical expense reimbursement insurance products provide for the reimbursement of a portion of the insured person's outpatient or hospitalisation treatment fees and expenses.

To realise the goal of supporting the health of the Taiwanese people, the Company established the Health Guardian Circle in 2020, a one-stop life map that focuses on the four important health stages of life being health, sub-health, illness, and disabilities, marking a shift from the Company being a mere provider of insurance to becoming a collaborative partner in customers' health management. As of 31 December 2023, the Company has offered more than 150 value-added services in a holistic and complete system, targeting healthy and sub-healthy users, with the primary goal of maintaining the health of Taiwanese people, helping to create healthy lifestyles and delaying the

occurrence of diseases, as well as diseased and disabled users by providing care solutions for Taiwanese people to get well again. By way of example, the Company has deployed the BAM App, a health management application that estimates users' biological age (an assessment of a user's physiological age, as opposed to their chronological age) and combines digital health with insurance products. To help sub-healthy users to become healthy again, the Company offers a remote health management service, which provides users with an easy-to-use physiological measurement and offers one-on-one sessions with a professional health management team. To assist cancer patients, the Company offers various value-added services during the treatment and recovery stage, as well as services that aim to help users to prevent cancer by developing healthy habits and regularly conducting bodychecks. To help elderly users, the Company launched a comprehensive LOHAS service map to raise their health awareness, to meet their wellness needs and to provide them with healthcare services for various stages of health, subhealth, illness and disability.

By combining insurance and health concepts via spillover-effect health insurance policies, the Company encourages policyholders to prevent health risks by building in wellness reward mechanisms. Through the sales of spillover-effect insurance policies, the Company has created a win-win situation for itself and policyholders by reducing the probability of claims from policyholders who are incentivised to develop healthier lifestyles. As an example, to encourage policyholders to receive their dental health check-ups regularly, the Company has introduced a first of its kind dental insurance policy incorporating a spillover mechanism, which offers dental health care rewards to policyholders who furnish medical receipts for dental cleaning. As of 31 December 2023, the Company sold approximately 600,000 spillover-effect insurance policies, ranking first in terms of the number of such policies sold amongst life insurers in Taiwan.

Accident Insurance

The Company offers personal accident insurance products that provide the coverage for injury, disability or death in accidents. The Company also offers a group insurance plan that provides accident insurance for the employees of enterprises or members of association.

The Company's accident insurance products provide death, disability and medical expense benefits in the event that the insured person is involved in an accident, in return for periodic payment of fixed premiums over a predetermined period. Typically, a death benefit is paid if the insured person dies as a result of an accident and a disability benefit is paid if the insured person becomes disabled, with the benefit depending on the extent of the disability. If the insured person receives medical treatment as a result of an accident, individual accident insurance policies may also provide for reimbursement of a portion of the medical treatment expenses or a fixed benefit.

The Company also offers microinsurance to help the disadvantaged obtain basic accident insurance protection. Since 2014, the Company has worked with ten city and county governments through microinsurance, including Pingtung, Taitung, Taichung, Keelung, Tainan, Changhua, New Taipei, and all outlying islands: Kinmen, Matsu, and Penghu, as the only company that has provided microinsurance to those living in the outlying islands. As of 31 December 2023, the Company's cumulative donation of microinsurance premiums has exceeded NT\$90 million, helping more than 400,000 disadvantaged people.

DISTRIBUTION AND MARKETING

The Group's distribution channel adopts the twofold agency and bancassurance model. As of 30 June 2024, the Company has a nationwide distribution channel of around 36,000 agents, ranking third in Taiwan in the industry, which target the mass market with the Group's protection-oriented products, including health insurance and accident insurance. The Group provides a comprehensive and structured training program to its agents through its College Programs. As a result of the comprehensive training and the clear career progress path offered, the number of the Company's insurance agents meeting the elite MDRT standard reached 1,523, ranking second in Taiwan and eleventh globally within the industry in 2023 (improving from 18th in last year's ranking). The Company's distribution channels also include bancassurance arrangements featuring an open architecture structure with a wide range of partners including 40 leading financial institutions and more than 20 bank partners, such as E. Sun Bank, Bank of Taiwan, DBS, Mega Bank and Union Bank of Taiwan, which grant it access to more than 3,500 sales outlets across Taiwan, access to affluent bank customers and a pool of customer deposits that is more than NT\$45 trillion. For the year ended 31 December 2023, among the top five bancassurance partners that generate the most FYP for the Company, the Company is the top insurance partner for three of such five bancassurance partners. The Group's bancassurance arrangements target high net worth elderly customers and distribute protection-oriented products, including whole life insurance, term life insurance, health insurance and accident insurance. By pursuing a comprehensive distribution and marketing strategy, the Group is able to optimise its distribution and marketing efforts based on customer segmentation and targeted product offerings. In recognition

of the Group's effective and multiple distribution channels, the Company is the only life insurer in Taiwan awarded "Best Insurance Agency Business" for 28 consecutive years by RMIM Inc..

The table below sets out the Company's FYP breakdown by distribution channel:

	Years ended 31 December						Six Months ended 30 June	
	2021		2022		2023		2024	
	<i>FYP (NT\$ billion)</i>	<i>(% of Total)</i>	<i>FYP (NT\$ billion)</i>	<i>(% of Total)</i>	<i>FYP (NT\$ billion)</i>	<i>(% of Total)</i>	<i>FYP (NT\$ billion)</i>	<i>(% of Total)</i>
Agency	63.0	64	46.6	65	44.5	72	31.3	82
Bancassurance.....	36.1	36	25.7	35	16.7	28	6.8	18
Total	99.1	100	72.3	100	61.2	100	38.1	100

The Group's experienced and seasoned agency force has been the key to driving high-margin product sales. The Group's agents operate out of its branch network and sell products exclusively for the Group. To maintain the effectiveness of its agent distribution model, the Group has focused on recruiting and training quality agents with an emphasis on academic qualifications and experience. When new agents join the Group, the Group onboards them and provides training on basic insurance knowledge, practice and regulation. Once onboarded, the new agents (more than 9,200 as of 31 December 2023) are enrolled into the College of New Agents for 3-12 months, which develops the agents' sales and communication skills as well as their ability to effectively utilise various sales tools. After 12 months, the new agents are promoted as team managers (more than 5,700 as of 31 December 2023) and enrolled into the College of the Elite, whose training programme covers areas such as agent recruitment, event planning, customer demand analysis and social and networking skills. The team managers are then promoted as assistant district managers (more than 2,500 as of 31 December 2023), continuing their training under the College of the Elite, which focuses on team management, multi-asset management, community development and business opportunity management. Furthermore, to provide a clear career progression path, after 15 months, the assistant district managers are promoted as district managers (more than 3,100 as of 31 December 2023) and enrolled into the College of Career Advancement, which focuses on areas such as team management and expansion, performance review, advanced business skills such as risk management and tax. Throughout the journey from a team manager to a district manager, the agent is also enrolled into the College of Management, which further provides various training. After 48 months of being enrolled in the College of Career Advancement, the district managers are then promoted to district directors and enrolled into the College of Leadership, which focuses on team culture cultivation and talent retention, leadership and coaching skills and advanced financial planning, such as trusts. As a result of the comprehensive training and the clear career progress path offered, the Company operates a well-qualified agency team with 1,523 MDRT agents, ranking second in Taiwan and eleventh globally within the industry in 2023 (improving from 18th in last year's ranking).

The Group's distribution channels also include bancassurance arrangements featuring an open architecture structure with a wide range of partners including 40 leading financial institutions and more than 20 bank partners, such as E. Sun Bank, Bank of Taiwan, DBS, Mega Bank and Union Bank of Taiwan, which grant it access to more than 3,500 sales outlets across Taiwan, access to affluent bank customers and a pool of customer deposits that is more than NT\$45 trillion. The Group's bancassurance arrangements target high net worth elderly customers and distribute protection-oriented products, including whole life insurance, term life insurance, health insurance and accident insurance.

INVESTMENT

Investment Objectives

When formulating its investment policies and portfolios, the Group takes into consideration factors including asset/liability management, its risk tolerance levels, its long-term risk premium requirement, its liquidity and solvency, and responsible investing principles including risk management, funds allocation management and other matters. The Group targets to hold long-term investments to support claim payments of long-term insurance contracts. The Group's investment allocation focuses on fixed income assets with good credit, supplemented by other asset classes such as stocks, loans, real estate, beneficiary certificates from, including but not limited to, private funds, infrastructure funds and ETFs. The Company generally maintains a low-risk investment portfolio with 78% of its investment being allocated in fixed income investment, which was the largest allocation amongst the top three life insurance companies in Taiwan as of 30 June 2024. Additionally, the Company maintains a RBC ratio of 281.77% which is well above the regulatory requirement of 200% (capital adequate).

Management Structure for Investment

The Group manages its investment by establishing and approving risk management policies and guidance. The Group's risk management committee (the "**Risk Management Committee**") oversees all investment related risks, and the Nan Shan Investment Commission reviews and approves the Group's investment activities. The Risk Management Committee and Nan Shan Investment Commission are supported by the investment department, which conducts investment analysis, internal control, and compliance review, execution and tracking, and the accounting and finance department, which is responsible to monitor investment-related accounting. The Group manages its investment risks by relying on its risk management department to evaluate, supervise, control and report investment risks, its legal department to manage legal workstreams relating to investment and use of funds and its internal audit's internal control in relation to investment.

Investment Income

As a result of the Company's high quality and well-diversified investment portfolio, the Company recorded investment income of NT\$210.2 billion, NT\$194.5 billion, NT\$180.2 billion, NT\$92.9 billion and NT\$106.1 billion for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. A large proportion of the Company's investment income is recurring in nature, comprising 71.5%, 84.3%, 96.3%, 92.5% and 80.8% of the Company's investment income for the same period, which helps secure stable return over the mid to long term. The yield on the Company's investment portfolio, after exchange rate hedging, was 4.47%, 3.83%, 3.47% and 2.87% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively. The yield on the Company's recurring investment portfolio, on a pre-exchange rate hedging basis, was 3.17%, 3.21%, 3.34%, 3.23% and 3.17% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. The breakeven point of the Company's investment portfolio was 3.03%, 3.08%, 3.01%, 2.97% and 2.99% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

Investment Portfolios and Performance

The Company's investment portfolio has been growing at a steady pace of 4.18 per cent. compound annual growth rate over the last three years. The Company recorded total investment assets of NT\$4.9 trillion, NT\$5.2 trillion, NT\$5.3 trillion and NT\$5.4 trillion for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively. The majority of the Company's investment has been in overseas fixed income investment over the last three years. As of 30 June 2024, the Company's investment on overseas fixed income reached NT\$3,577 billion, representing 65.8 per cent. of its total investments.

Overseas focused

Due to the combined impacts of high insurance penetration in Taiwan and the inadequate market capacity and depth of the domestic NTD-denominated bonds market, the Company maintains a significant proportion of overseas investment. As of 30 June 2024, the Company invested NT\$3,792.2 billion overseas (consisting of both overseas fixed income and overseas equity investments), accounting for 69.8% of the Company's total investments. Similar to most of the other life insurers in Taiwan, the Company has maintained a high exposure to overseas investment. Considering comparative benefits, risk appetite and diversification, the Group has gradually established a diversified overseas portfolio, including various overseas high-rated bonds, stocks, private funds, infrastructure funds. Meanwhile, by adopting flexible foreign exchange hedging strategies, the Group seeks to manage exchange risks and effectively improves return within the risk limit.

The Group's investment strategy for overseas bonds mainly focuses on asset allocations according to the cost and tenor of the liabilities, diversifying allocations by region, country, and industry to reduce concentration risk, and focusing on investment grade bonds with higher credit ratings to maintain a higher credit quality of the portfolio.

Debt portfolios

The Group's current debt positions are mainly in NTD and U.S. dollar bonds. Given smaller market size and lower yield of the Taiwanese bond market, the Group's debt investment has relied on overseas investment to achieve optimal asset portfolio in order to effectively improve return and asset credit quality of its portfolios. The Group's overseas fixed income allocation reflects a broad diversification of investment across asset type, ratings, region and sector, which enables the Group to diversify risk while benefiting from investment opportunities. The Company's overseas fixed income investment is divided amongst a mixture of asset types, including financial bond, corporate bond, government bond and other products, comprising 36%, 33%, 27% and 5%, respectively, of the Company's overseas fixed income as of 30 June 2024. The Company's overseas fixed income investment has

a strong credit quality, which are mostly rated A or above by rating agencies, with 39% being rated A, 23% being rated AA, 14% being rated AAA, 21% being rated BBB and 4% or being rated BB or below. In terms of geographical distribution, the Company invests in overseas fixed income products in North America, Europe, Asia and other parts of the world, comprising 53%, 21%, 18% and 8%, respectively, of the Company's overseas fixed income as of 30 June 2024. The majority of such overseas fixed income investment is denominated in U.S. dollar, which comprises 99.6% of the Company's overseas fixed income investment, spreading across principal investment targets such as long-term sovereign bonds and investment-grade corporate/financial bonds of European and American countries and selected emerging market countries.

Equity portfolios

In terms of geographical distributions, the Company's equity investment is focused on Taiwan stocks, which accounts for around 50% of the Company's total equity portfolios, followed by US, Hong Kong and Chinese stocks, and a limited portion of European stocks, covering sectors such as technology, financial services and consumer goods with a primary focus on the industry leaders. In constructing the equity portfolio, the Company relies on fundamental research on companies and industrial sectors, while combining top-down research on external business cycle to examine whether its overall equity positions are overweight or underweight in order to identify investment targets with strong fundamentals and high growth potential. The Company dynamically adjusts the equity portfolios according to the overall asset allocation plan, following internal and external rules to rebalance the targets. The following table sets out the Company's investment portfolio for the financial periods indicated:

	Years ended 31 December						Six months ended 30 June	
	2021		2022		2023		2024	
	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)	(NT\$ billion)	(% of Total)
Fixed Income								
Overseas fixed income	2,926.9	59.8	3,350.0	64.3	3,380.2	64.4	3,576.5	65.8
Domestic fixed income	689.3	14.1	677.6	13.0	694.2	13.2	679.7	12.5
Equity Investments								
Domestic equity	214.0	4.4	191.4	3.7	185.9	3.5	205.6	3.8
Overseas equity	252.1	5.1	205.2	3.9	205.1	3.9	214.4	4.0
Deposit and cash equivalent	202.1	4.1	116.5	2.3	103.5	2.0	101.5	1.9
Real estate	210.8	4.3	212.8	4.1	232.9	4.4	229.6	4.2
Others	403.1	8.2	453.8	8.7	449.5	8.6	425.3	7.8
Total Investments	4,898.3	100.0	5,207.3	100.0	5,251.3	100.0	5,432.7	100.0

Hedging Strategy

In order to manage the foreign exchange risks in its investments, the Group adopts two key hedging strategies: traditional hedging and basket hedging. The Group regularly reviews changes in the position to manage foreign exchange risks and hedging costs according to market conditions, by adjusting the duration and unhedged ratios.

Traditional hedging strategies are divided into domestic hedging and overseas hedging. Domestic hedging instruments are mainly currency swaps. As the cost of currency swaps is affected by the interest rate spread between Taiwan and the US, the Group analyses monetary policies of Taiwan and the US to predict the movement of spread between Taiwan and the US's interest rate in order to adjust the contract term to reduce long-term amortisation costs and optimise hedging positions. Overseas hedging instruments are mainly non-deliverable forward ("NDF"), which is mainly used to adjust the ratio of the Group's unhedged position. The Group determines the NDF hedging position and contract duration based on its view of the NTD and the cost of NDF. In addition, in order to manage long-term NDF hedging costs in NTD, the Group also uses a basket of currency hedging strategies as an alternative to NDF hedging in NTD. The Group's currency hedging basket mainly selects non-US dollars currencies whose price fluctuation direction is similar to that of Taiwan dollar.

As of 30 June 2024, the Company had NT\$4.1 trillion foreign exchange assets, of which 28% is reserved for foreign exchange policies and 72% is exposed to foreign exchange risk, the latter of which is hedged by currency swap & NDF, proxy & open and FVOCI & FVTPL, which accounted for 61.1%, 25.0% and 14.0%, respectively. The hedging cost of the Company (calculated by the combination of net foreign exchange gains and losses and net provision of foreign exchange reserve divided by total foreign exchange assets) was 1.24%, 0.01%, 0.82%, 1.07% and 1.10% in 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

DEBT PROFILE

The Company has a debt profile with a diversified maturity duration that has an average duration of 13-17 years. The following table sets out the Company's bond positions.

	Bonds Structure	Issuance Date	Currency	Principal Amount (NT\$ billion)	Coupon Rate	First Call Date	Right of Early Redemption ⁽¹⁾
1.	Perpetual Cumulative Subordinated Corporate Bonds	June 2016	NTD	25.00	3.50%	June 2026	✓
2.	Perpetual Cumulative Subordinated Corporate Bonds	June 2017	NTD	7.00	3.45%	June 2027	✓
3.	Perpetual Cumulative Subordinated Corporate Bonds	June 2018	NTD	10.00	3.30%	June 2028	✓
4.	10-year Cumulative Subordinated Corporate Bonds	October 2023	NTD	7.21	3.75%	October 2033	✗
5.	15-year Cumulative Subordinated Corporate Bonds		NTD	4.29	3.88%	October 2038	✓
6.	10-year Cumulative Subordinated Corporate Bonds	January 2024	NTD	1.90	3.75%	January 2034	✗
7.	15-year Cumulative Subordinated Corporate Bonds		NTD	1.60	3.88%	January 2039	✓
8.	10-year Cumulative Subordinated Corporate Bonds	June 2024	NTD	2.38	3.75%	June 2034	✗
9.	15-year Cumulative Subordinated Corporate Bonds		NTD	1.66	3.88%	June 2039	✓

Notes:

- (1) Redemption amount is the full amount of the Company's debt, including accrued interest.

RISK MANAGEMENT

Risk management is fundamental to the Group's operations and its long-term growth. The Group has devoted substantial resources to enhancing its risk management over the years, and it has created risk management policies with the aim to promote operational efficiency, ensure asset safety, increase shareholders' value, and comply with applicable domestic and overseas laws and regulations for the purpose of steady growth and sustainable management.

Risk Management Framework and Structure

The Group's risk management policies have designated different responsibilities and roles to the various levels within the Group:

The Board of Directors

The Board of Directors is the highest authority ultimately responsible for the Group's risk management. Taking into account the Group's business strategy and other economic factors, the Board of Directors approves the risk management policy and risk limits, reviews risk appetite annually and supervises the effectiveness of its risk management mechanism in order to make necessary adjustments. To facilitate effective risk management, the Board of Directors authorises its risk management department (the "**Risk Management Department**") to handle violations of risk limits.

Risk Management Committee

The Risk Management Committee is chaired by an independent board director to coordinate the risk management affairs of the Group. The Risk Management Committee regularly reviews the implementation of the risk management policies and risk measurement standards.

Risk Management Department

The Risk Management Department assists in drafting and carrying out the risk management policy risk appetite and risk limits approved by the Board of Directors. In addition, the Risk Management Department is also responsible for coordinating and monitoring risk management practices and executing risk management policy and risk limits through information provided by business units.

Business Units

Each business unit of the Group is also deeply involved in risk management. The duties of the business unit heads include without limitation (i) managing and reporting risks as well as taking remedial actions when necessary and (ii) supervising its unit to provide risk management related information to the Risk Management Department periodically. Under the supervision of the unit heads, the business units (i) identify risks and report risk exposures, (ii) measure risk impacts (quantitatively or qualitatively) and communicate with the unit heads in a timely and proper manner, (iii) review and ensure operations are within risk limits, (iv) monitor and report breaches of risk limits (including the mitigations taken), (v) facilitate risk management model development to ensure the related measures, models, and assumptions are applied on a reasonable and consistent basis, (vi) effectively implement internal controls to comply with regulations and the relevant risk management policies; and (vii) assist in collecting operational risk information to be channeled through via the Risk Management Department and the Risk Management Committee to the Board of Directors.

Internal Audit Department

The department audits each business unit's implementation status of risk management practices pursuant to the applicable laws and regulations and related rules and guidance of the Group.

Risk Management Procedures

The Group's risk management strategy focuses on (i) risk appetite and risk limit, (ii) market risk, (iii) credit risk, (iv) liquidity risk, (v) insurance risk, (vi) operational risk and (vii) assets liability matching risk.

Risks Appetite and Risk Limit

Considering business strategies, business objectives, business growth, risks and returns, the Group adopts capital adequacy and credit ranking as the basis of its risk appetite, which requires the RBC ratio to be maintained above 250% for the Company, 270% for early warning threshold and 300% for Nan Shan General Insurance. The net worth ratio of the Company shall be maintained above 4% with 4.5% as an early warning threshold. The Company aims to maintain its international credit rating at or above BBB+ (or its equivalent). Risk limits are set up with reference to the characteristics of the Group's risk and the risk appetite.

Market Risk

Market risk is the risk of losses in value of the Group's financial assets arising from the changes in market prices of financial instruments. The market risk management mechanism of the Group includes major asset control regulation, risk measurement method, risk limit and authorisation, and a procedure to handle risk limit breach.

Credit Risk

Credit risk refers to the risk that the debtor's credit will be downgraded, the relevant debtor defaults on payment to the Group or the counterparty becoming unable or refusing to perform its obligations. In relation to such credit risks, the Group has implemented pre- and post-transaction credit risk management, as well as credit rating limit management. In addition, the Group manages its reinsurance risk (as part of the credit risk) by considering the ability of the Group to bear retained risks and setting the cumulative limits. The Group will transfer risks exceeding its risk limits through reinsurance and focus on the diversification of reinsurers for effective management. The Group will further review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan.

Liquidity Risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group is not capable of performing matured commitment because it fails to realise assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Group sells or offsets its positions during a market disorder or a lack of sufficient market depth.

The Group's funding liquidity risk management mechanism is as follows: (i) business units are required to follow the liquidity risk management policy to incorporate or modify liquidity risk management mechanism in its internal control procedure to maintain the safety of fund usage; (ii) funding units are required to be independent from trading units, perform daily cash management and continuous cash flow management and monitor the cash flow of each business unit; (iii) to ensure fund liquidity, consideration should be given to both domestic short-term liquidity and cross country or cross market funding liquidity; and (iv) applying a cash flow model to evaluate and monitor the change in mid-term and long-term liability cash flows.

The Group's market liquidity risk management mechanism cautiously considers the fitness of market trading volume and holding positions and the significant impact to market price caused by block trade.

Insurance Risk

Insurance risks refer to the probability of occurrence of insured events, and the uncertainty of the Group possessing adequate assets to meet future obligations prescribed in the insurance contract. By individual insurance policy.

Product Design and Pricing Risk. This risk is caused by data inappropriateness, inconsistency or unexpected changes in product design, policy clauses, and pricing.

Reinsurance Risk. This is a risk that a company is unable to cede those risks in excess of their proposed retention or unable to recover ceded risks from reinsurers such as unearned reinsurance premium and claim recovery.

Underwriting Risk. Underwriting risk refers to unexpected losses incurred from soliciting and underwriting processes.

Catastrophic Risk. This is a risk that a catastrophe event will result in a severe aggregate damage amount that may result in a downgrade or even insolvency of a company.

Reserve Related Risk This risk refers to insufficient reserves to honour future insurance obligation due to underestimating insurance contract liabilities.

Addressing each of the insurance risks as set out above, the Group has designed underwriting policies to ensure adequate risk classification and premium level. The Group's underwriters review each insurance cases based on underwriting policies and procedures with fair and objective standards. In addition, during underwriting, to protect interests of the Group's clients and the safety of its operation, information of policyholder and the insured such as basic information, insurance interests, financial and health condition, occupation will be thoroughly reviewed, while concurrently considering the insurance purposes, coverage, and premium reasonableness. Underwriting staff of the Group are properly trained and supervised in accordance with Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises and related regulations. Related approval authority is granted according to the underwriting staff's experiences, capability, professional levels to ensure the underwriting quality and efficiency. The Group has also set up guidance for controversial cases and task forces for large coverage cases and adopts a timely risk control approach.

Operational Risk

Operational risk includes the risk of direct or indirect loss caused by external events or internal process, human and system failures. It includes legal risk, money laundering and financing terrorism risk and continuous operation management, but it excludes strategic and reputation risk. Through risk identification, assessment, response, monitoring, information communication and documentation, the Group allocates resources effectively to enhance its operational risk management.

Asset Liability Matching Risk

This risk results from the inconsistencies between the values of assets and those of liabilities. The Group periodically monitors the expected cash flow of assets and liabilities in order to effectively manage the asset liability matching risk.

INFORMATION TECHNOLOGY

The Group regularly conducts core information systems disaster recovery exercises and DDoS exercises, assesses computer system information security, performs penetration tests for external websites, and holds company-wide social engineering exercises to ensure the security of the Group's information infrastructure and network information security protection, while protecting the Company's sensitive or confidential data and personal data.

To reinforce information resilience and to provide secure, convenient, and uninterrupted services, the Company obtained the ISO 22301:2019 Business Continuity Management System and ISO 27001:2013 Information Security Management System certifications.

EMPLOYEES

As of 30 June 2024, the Company has a total number of 4,138 employees, over 98.0% of whom possess bachelor or higher degrees and Nan Shan General Insurance has a total of 791 employees, over 97.1% of which possess bachelor or higher degrees. The average years of service of the Company's employees are 14.3 years and Nan Shan General Insurance's employees are 8.0 years.

The Group has provided various business-related training for its employees. The Group is committed to creating a continuous and diverse learning environment and attaches great importance to talent training to reinforce the Company's competitiveness and facilitate long-term development.

ENVIRONMENTAL PROTECTION, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE ("ESG")

To uphold its social responsibility and to fulfil its mission of public service in the insurance industry, the Company has adopted "H.E.A.R.T." (Health, Earth, Action for Good, Reliability, Talent) as its sustainability strategy while pursuing the vision of "making earnest commitment and taking protective actions".

The five main sustainability strategies include the below:

- Health – to promote new service-empowerment concepts for insurance, fulfil the wellness and healthcare needs of customers and to become the guardian of public health;

- Earth – to reduce carbon footprint and greenhouse gas emission and to implement energy-saving and carbon reducing measures, such as digitalisation and mobile insurance services;
- Action for Good – to develop inclusive finance through microinsurance products to safeguard the welfare and to provide protection for vulnerable groups, to promote community medical care for disadvantaged groups and to provide local care for the underprivileged as three pillars for social engagement;
- Reliability – to cultivate a business ethos that treat customers as family, to treat customers fairly and to strengthen corporate governance and integrity; and
- Talent – to establish a comprehensive career and business development system, to create a healthy, safe and growth-oriented work culture and environment and to construct a robust training and development system for employees to enhance industrial competitiveness and productivity.

In recognition of the Company's sustainability efforts, the Company was ranked top 20% in the insurance industry in Taiwan in the first sustainable finance assessment conducted in 2023. The Company also received the Taiwan Sustainable Enterprise Excellence Award at the Taiwan Corporate Sustainability Awards and the Human Investment and Corporate Sustainability Report Award at the Asia Responsible Enterprise Awards.

In relation to environmental protection, the Company has comprehensively introduced three major environmental sustainability management systems: ISO 14064-1, ISO 14001 and ISO 50001. The Company has completed greenhouse gas inventories for all business locations in Taiwan, achieving a 100% coverage rate. In 2022, the Group launched a green power system at Nan Shan Education & Training Centre to generate electricity, which resulted in a carbon reduction equivalent to 106 metric tons. In 2023, by adopting a low-carbon business model that significantly reduces the output of printed literature and promotes the usage of electronic documents and electronic insurance policies, the Company had reduced its carbon footprint by 3% or more within five years and obtained from Environmental Protection Administration ("EPA") a Carbon Footprint Label for life insurance services, which could be used again if the same goal is reached five years. In 2023, Nan Shan General Insurance, a subsidiary of the Company, became the first financial company in Taiwan to obtain from the EPA both the Carbon Footprint Label for property insurance and the Carbon Footprint Label for electronic insurance policy.

In relation to social responsibility, the Group has developed a talent retention system that enhances the recognition of the Nan Shan brand in the workplace. As of 31 December 2023, the Group's key talent retention remained high at 99%. Various benefits are offered to the Group's employees, such as the industry leading group employee insurance and fully subsidised vaccination insurance. As of 31 December 2023, over 120,000 volunteers (in cumulative number) from the Group actively participated in volunteer services, demonstrating the Group's commitment to community engagement. The Group also undertakes the social responsibility of looking after the health and wellbeing of the Taiwanese population. In 2023, the Nan Shan Charity Fund Medical Care Program served over 360,000 people through microinsurance. Additionally, the Group's Health Guardian Circle had 58 partners and offered over 120,000 policyholders heart-warming services. As of 31 December 2023, the Company ranked first in terms of the number of spillover-effect insurance policies and the number of long-term care insurance policies sold.

In relation to corporate governance, the Group achieved an annual performance appraisal score of 98 with an excellent rating from its board of directors. To reinforce information resilience and to provide secure, convenient, and uninterrupted services, the Group obtained the ISO 22301:2019 Business Continuity Management System and ISO 27001:2013 Information Security Management System certifications. The Group's policyholders have an average satisfaction rate of 99.6%. As a result, the Group has the lowest ombudsman rate among medium and large life insurance companies in Taiwan. Furthermore, the Group has achieved a 100% implementation rate in evaluating ESG as a factor when considering equity investment targets and increasing fixed income holdings. The Group has achieved a 100% attendance rate and voting rate in all shareholder meetings of invested domestic companies.

See "Risk Factors - Risk Factors Relating to The Business of The Group - The failure to identify and adequately address risks associated with ESG factors could adversely affect the achievement of the Group's long-term strategy and affect its business" for a discussion of the relevant risks of ESG.

LEGAL AND REGULATORY

As at the date of the Offering Circular, except as otherwise disclosed in this Offering Circular, the Group is not involved in, or aware of, any litigation, arbitration or administrative proceedings, actual or threatened, that would,

individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations.

RELATED PARTY TRANSACTIONS

The Group engages from time to time in various transactions with related parties. Terms and conditions of related party transactions are made on arm's length basis. There is no difference in terms and conditions between related parties and non-related parties transactions. For details, please see note 7 to the Group's consolidated financial statements as of and for the year ended 31 December 2023.

INDUSTRY OVERVIEW

The following overview of the insurance industry in Taiwan has been provided for background purposes only. The information presented in this section is derived from various government and private publications. Such information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any market study and statistical survey. None of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them or any other party involved in the offering has independently verified such information. Accordingly, such information should not be unduly relied upon.

TAIWAN LIFE INSURANCE INDUSTRY

Industry Overview

Amongst the developed Asia Pacific markets in 2023, Taiwan is the fourth largest life insurance market in terms of life premium volume, following Japan, South Korea, and Hong Kong, and ranked third in terms of life insurance policy penetration rate. In 2023, the total life premium income amounted to U.S.\$54 billion and Taiwan also recorded the second highest savings rate behind Singapore.

Over the past decade, Taiwan life insurers' total assets have been growing steadily at a compound annual growth rate of 7.3%. In 2023, the total assets of Taiwan life insurance companies were 33.3% of overall Taiwan financial institutions, compared to 7.3% and 5.6% in the U.S. and China, respectively during the same period. The sector is highly regulated by the Insurance Bureau of FSC. There is also the Taiwan Insurance Guaranty Fund which was established in 2009 to provide support to Taiwanese insurers where needed to ensure the financial stability of the insurance industry in Taiwan.

In 2023, there were a total of 21 registered life insurance companies in Taiwan, of which 16 were domestic and 5 were foreign players. In 2023, the top three players' gross written premiums jointly accounted for 48.4% of the Taiwan market, and the number for the six months ended 30 June 2024 was 46.1% according to the FSC. The top three players are also the only three life insurers in the market to achieve double-digit market share by gross written premiums. In terms of net income, the top three players collectively accounted for 84.3% of the industry in 2023.

Industry Trends

Going forward, Taiwan's life insurance market could continue to grow steadily in light of rapidly aging population and prolonging life expectancy, rising health expenditure, growing insurance awareness and increasing focus on protection products.

The overall market is seeing a shifting landscape as the demand for protection and health grows. Since 2021, the sales of traditional life product have increased from 37% to 55% in 2023 and 58% during the six months ended 30 June 2024. It is primarily due to slower sales in savings-type products in the past three years, and the industry's focus on transitioning to TW-ICS and IFRS 17 by 2026 via sales of long-term and protection-oriented products.

According to Organisation for Economic Co-operation and Development (the "OECD"), the life expectancy of Taiwan population in 2022 was 81 years and is estimated to extend to 88 years by 2070. In addition, the population aged 65 and above accounted for 18% of total population in 2022, and it is forecasted to grow to 44% by 2070. Amidst a rapidly aging population and longer life expectancy in general, the percentage of health expenditure over GDP in Taiwan only ranked 34 out of 39 OECD's jurisdictions, recording 6.6% in 2023, below the OECD's average of 9.1%. The growing health expenditure in Taiwan might lead to an increasing demand for commercial health insurance to complement the current coverage provided by the public health system.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Company is managed by the board of directors (the "**Board of Directors**"), which is collectively responsible for overseeing management of the Company's business and affairs. The Board of Directors also formulates the overall strategy of the Company, monitors its financial performance and maintains an effective corporate governance structure in its subsidiary. Daily operations and administration are delegated to the management of the Company and its subsidiary.

The Board of Directors is currently comprised of a total of 14 directors, including five independent directors. The table below sets forth the Company's directors, their ages and positions:

Name	Age	Title
Mr. Chung-Yao Yin 尹崇堯	40	Chairman
Mr. Samuel Yin 尹衍樑	73	Director
Mr. Yue-Ming Ho 何宇明	53	Director
Mr. Han-Fei Lin 林翰飛	60	Director
Mr. Chi-Chuan Chen 陳志全	66	Director
Ms. Hsiu-Yen Chang 張秀燕	66	Director
Mr. Tamon Tseng 曾達夢	65	Director
Mr. Stan Shih 施振榮	79	Director
Mr. Walter H.C. Chang 張宏嘉	72	Director
Mr. Hsin-Chun Wang 汪信君	51	Independent Director
Mr. Ming-Chin Chen 陳明進	59	Independent Director
Mr. Rung-Syou Tsen 曾榮秀	75	Independent Director
Mr. Fang-Shu Chan 詹芳書	44	Independent Director
Mr. Ting-Chieh Lu 盧廷劼	66	Independent Director

CHAIRMAN

Mr. Chung-Yao Yin 尹崇堯, aged 40, as a representative of Ruentex Development Co., Ltd., has served as the Company's Chairman since 2022 and the Company's director since 2016. Mr. Yin is also currently working as a chairman of Nan Shan Life Charity Foundation, a director of Nan Shan General Insurance, a director of Ruen Chen, a director of Ruentex Industries Ltd., a director of Ruentex Development Co., Ltd., a director of Ruentex Engineering & Const.Co., a director of Ruentex Materials Co., Ltd., a director of Ruentex Xu-Zhan Development co., Ltd., a director of Penglin Investment Co., Ltd., a director of Changchun Investment Co., Ltd., a director of Yitai Investment Co., Ltd., a director of Renying Industrial Co., Ltd., a director of Yingjia Investment Co., Ltd., a director of Shengcheng Investment Co., Ltd., a director of Ruentex Leasing Co., Ltd., a director of Runtaixing Co., Ltd., a director of Ruen Hua Dyeing & Weaving Co., Ltd., a director of Jinghong Investment Co., Ltd., a director of Gogoro Taiwan Limited, a director of GoShare Taiwan Limited, a director of Gogoro Taiwan Sales and Services Limited, a director of Gogoro Network (Cayman), a director of Taiwan Branch, a director of Obigen Pharma, a director of Gogoro Inc., a director of Tang Prize Foundation, a director of Yin Shu-Tien Medical Foundation and a director of Hsun-Ruo Yin Educational Foundation.

Mr. Yin holds a Ph.D., from University of Oxford, the United Kingdom. Mr. Yin also has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Insurance Enterprises.

DIRECTOR

Mr. Samuel Yin 尹衍樑, aged 73, as a representative of Huei Hong Investment Co., Ltd., has served as the Company's Director since 2011. Mr. Yin is also currently working as a chairman of Changchun Investment Co., Ltd., a chairman of Huei Hong Investment Co., Ltd., a chairman of Ruentex Leasing Co., Ltd., a chairman of Renying Industrial Co., Ltd., a chairman of Hsun-Ruo Yin Educational Foundation, a chairman of Tang Prize Foundation, a chairman of Yin Shu-Tien Medical Foundation, a chairman of Cheng Hsin General Hospital, a director of Ruen Hua Dyeing & Weaving Co., Ltd., a director of Runtaixing Co., Ltd. and a director of Prof. Albert Ly-Young Shen's Medical Education Foundation.

Mr. Yin is also the chairman of Ruentex Group. Mr. Yin holds a PhD in Business Administration from National Chengchi University.

Mr. Yue-Ming Ho 何宇明, aged 53, as a representative of Pou Chen Corporation, has served as the Company's Director since 2022. Mr. Ho is also currently working as a director of Pou Chen Corporation, a director of Ruen Chen, a director of Wealthplus Holdings Limited and a vice president of Pou Chen Corporation.

Mr. Ho holds a Master of Law from National Taiwan University.

Mr. Han-Fei Lin 林翰飛, aged 60, as a representative of Pou Chen Corporation, has served as the Company's Director since 2024. Mr. Han-Fei Lin is also currently working as a chairman and CEO of Easywell Biomedicals, Inc., a chairman of Qianjinfang Health Biotechnology Co., Ltd., a partner of Hua Wei International Technology Consulting Co., Ltd., a director of Saviah Technologies, Inc., a director of Tai-Ling Biotech., Inc., a director of Hyena Inc., a director of Magnifica Inc., a director of Easywell Biomedicals, Inc., a director of Tulex Pharmaceuticals Inc., a director of Jiangsu Huahan Pharmaceutical Technology Co., Ltd., an independent director of P-Two Industries Inc., an independent director of VisEra Technologies Company Ltd., an independent director of eCloudvalley Digital Technology Co., Ltd., a supervisor of Synmax Biochemical Co., Ltd., a supervisor of Yuwei Asset Management Co., Ltd., a supervisor of WS Fashion Group Co., Ltd., a supervisor of Miho International Cosmetic Co., Ltd. and a supervisor of Ruen Chen.

Mr. Lin holds a master's degree in Business Administration from Wharton School, University of Pennsylvania.

Mr. Chi-Chuan Chen 陳志全, aged 66, as a representative of Huei Hong Investment Co., Ltd., has served as the Company's Director since 2011. Mr. Chen is also currently working as a chairman of AP Biosciences Inc., a chairman of Obigen Pharma., a director of Ruentex Engineering & Const.Co., a director of Tanvex BioPharma, Inc., a director of Tanvex Biologics, Inc., a director of TaiMed Biologics Inc., a director of Mithra Bioindustry Co., Ltd., a director of Mass Solutions Technology Co., Ltd., a director of Do-Intelligent Consulting Inc., a director of Mithra Chemical Analysis Laboratory Inc., a director of Amaran Biotechnology, Inc., a director of Cotton Field Organic Co., Ltd., a director of RenBio Holding Ltd., a director of Delos Capital Holdings Limited, a director of Theragent, Inc., a director of Brogent Technologies Inc., a director of Mega Growth Venture Capital Co., Ltd., a director of Miho International Cosmetic Co., Ltd., a director of Mirror Vision Inc., a director of WS Fashion Group Co., Ltd., a director of Hsun-Ruo Yin Educational Foundation, a supervisor of Ruen Chen and a vice president of Huei Hong Investment Co., Ltd.

Mr. Chen holds a master's degree in Business Administration from National Taiwan University.

Ms. Hsiu-Yen Chang 張秀燕, aged 66, as a representative of Ruentex Industries Ltd., has served as the Company's Director since 2022. Ms. Hsiu-Yen Chang is also currently working as a director of Shing Yen Construction Development Co., Ltd., a supervisor of Ruentex Construction Co., Ltd., a supervisor of Ruentex Xu-Zhan Development Co., Ltd., a supervisor of Runtai Baiyi Co., Ltd., and a supervisor of Ruentex Development Co., Ltd.

Ms. Hsiu-Yen Chang has completed her education from Open College of Continuing Education.

Mr. Tamon Tseng 曾達夢, aged 65, as a representative of Ruen Chen, has served as the Company's Director since 2011. Mr. Tseng is also currently working as a chairman of Ruen Chen, a chairman of Taiwan Transport Insurance Services Co., Ltd., a director of Shengcheng Investment Co., Ltd., a director of Runtai Construction Co., Ltd., a director of China Marine Surveyors & Sworn Measurers' Corp., a director of OBI Pharma, Inc., a director of Amaran Biotechnology, Inc., a director of Mithra Bioindustry Co., Ltd., a director of TaiMed Biologics Inc., a director of Haoke Investment Holding Limited, a director of Ruenhuei Biopharmaceuticals Inc., a director of Yingjia Investment Co., Ltd., a director of Arise Profits Ltd., a director of Tanvex BioPharma, Inc., a director of

Hsun-Ruo Yin Educational Foundation, a supervisor of Yitai Investment Co., Ltd., a supervisor of Runtaixing Co., Ltd., a supervisor of Ruen Hua Dyeing & Weaving Co., Ltd. and a supervisor of Renying Industrial Co., Ltd.

Mr. Tseng holds a master's degree in law from University of London, United Kingdom. Mr. Tseng also has an attorney license in the United Kingdom.

Mr. Stan Shih 施振榮, aged 79, has served as the Company's Director since 1999. Mr. Shih is also currently working as a chairman of StanShih Foundation, a chairman of CT Ambi Inc., a chairman of Himalaya Venture Fund Corp., a chairman of Porrima Inc., a chairman of Cloud Gate Foundation, a director of Acer Incorporated, a director of Hongrong Investment Co., Ltd., a director of Egis Technology Inc., a director of Chinese Television System Corp., a director of Acer Medical Inc., a director of One Song Inc., a director of AiSails Power Inc., a director of Himalaya VC Management Corp., a director of Transformative Cell Processing Co., Ltd., a director of Taiwan Public Television Service Foundation, a director of The Alliance Cultural Foundation, a director of C. F. Koo Foundation, a director of Acer Foundation, a director of Yu Chi-Chung Cultural & Education Foundation, a director of NSFG Foundation, a director of Qiu Zaixing Culture and Education and a supervisor of Li Jin Engineering Co., Ltd.

Mr. Shih is also the founder of Acer Group. Mr. Shih also has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters of Compliance by the Responsible Persons of Insurance Enterprises. Mr. Shih holds a master's degree from the Institute of Electronics, National Chiao Tung University.

Mr. Walter H.C. Chang 張宏嘉, aged 72, has served as the Company's Director since 2003. Mr. Chang is also currently working as a chairman of Lai Lai Department Stores Co. Ltd., a chairman of F.T.F. Trading Co., Ltd., a chairman of Crown Industrial Co., Ltd., a chairman of Holmsgreen Holdings Co., Ltd., a chairman of LaiLai Logistics Co., Ltd., a chairman of Liquin Investment Co., Ltd., a director of Serena Foods Incorporation, a director of OKmart Co., Ltd. and a director of FCF Co., Ltd.

Mr. Chang has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Chang holds a master's degree in Business Administration from University of Southern California.

INDEPENDENT DIRECTOR

Mr. Hsin-Chun Wang 汪信君, aged 51, has served as the Company's Independent Director since 2022. Mr. Wang is currently working as a professor in the College of Law at National Taiwan University. Mr. Wang used to be a member of the evaluation committee of the Financial Ombudsman Institution and a director of the Commercial Law Center, College of Law, National Taiwan University.

Mr. Wang has expertise in law and business and the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Wang holds a PhD in law from Queen Mary, University of London, the United Kingdom and a master's degree in science from National Chengchi University.

Mr. Ming-Chin Chen 陳明進, aged 59, has served as the Company's Independent Director since 2022. Mr. Chen is also currently working as a professor at the Department of Accounting, National Chengchi University, an independent director of Ruentex Materials Co., Ltd. and an independent director of OBI Pharma, Inc. Mr. Chen used to be the director of the Department of Accounting, National Chengchi University and an independent director of the Bank of Taiwan.

Mr. Chen is a certified public accountant license holder in the Republic of China. Mr. Chen holds a PhD in Accounting from Arizona State University and a master's degree in Business Administration from University of Pittsburgh, the United States.

Mr. Rung-Syou Tsen 曾榮秀, aged 75, has served as the Company's Independent Director since 2022. Mr. Tsen is also currently working as an independent director of Nan Shan General Insurance Company Ltd. Mr. Tsen used to be an independent director of Central Reinsurance Corporation, a supervisor and a director of GuoBao Life Insurance Co., Ltd., a president of the Taiwan Branch of Cosmos Service Co., Ltd. and an adjunct instructor at the Department of Risk Management and Insurance, National Chengchi University.

Mr. Tsen has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Tsen has a master's degree in Insurance and Risk Management from Georgia State University, the United States and a master's degree in Business Administration from National Taiwan University.

Mr. Fang-Shu Chan 詹芳書, aged 44, has served as the Company's Independent Director since 2022. Mr. Chan is also currently working as a professor at the Department of Financial Engineering and Actuarial Mathematics, Soochow University, the vice dean of School of Business, Soochow University, and CEO of Franklin Financial Technology Development Center, Soochow University. Mr. Chan used to be an independent director of Cathay Lujiazui Life and an independent director of Chubb Life Insurance Taiwan Company.

Mr. Chan has the qualifications under Article 8, paragraph 1 of the Regulations Governing Qualification Requirement and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises. Mr. Chan holds a PhD of Risk Management and Insurance from National Chengchi University and a bachelors in Mathematical Sciences from National Chengchi University.

Mr. Ting-Chieh Lu 盧廷劫, aged 66, has served as the Company's Independent Director since 2023. Mr. Lu is also currently an independent director of Excellence Optoelectronics Inc. and an independent director of Hyweb Technology Co., Ltd. Mr. Lu used to be the secretary-general of the FSC, Executive Yuan, a member of the Securities and Futures Commission, secretary-general of the Chinese National Futures Association, a member of the Financial Accounting Standards Board, and a member of the Auditing Standards Committee.

Mr. Lu has a certified public accountant license in the Republic of China. Mr. Lu also holds a master's degree in Accounting from National Chengchi University.

SENIOR MANAGEMENT

In addition to the Board of Directors, members of the senior management of the Company are also responsible for the day-to-day management of the Company's business. The table below sets forth the members of the Company's senior management, their ages, positions and major education and experience.

Name	Age	Title	Major education and experience
Mr. Alden Fan 范文偉	59	President	MBA, National Taiwan University
Mr. Lung-Yeh Cho 卓隆燁	65	Senior Vice President	Department of Accountancy, National Taipei University
Mr. Cheng-Che Chen 陳正哲	63	Senior Vice President	MBA, University of Iowa
Mr. Wen-Chuan Liu 劉文釧	66	Senior Vice President	- PhD, Law, University of Munich, Germany (dropout) - Vice President, Legal Affairs Office, Taiwan High Speed Rail Corporation - Vice President, Legal Affairs Office, Continental Holdings Corporation
Mr. Feng-Hui Tsai 蔡豐輝	63	Senior Vice President and Manager of the Zhongli Branch	Master's degree, Institute of Oceanography, National Taiwan University
Mr. Chih-Cheng Hung 洪志成	57	Senior Vice President and Manager of the Datong Branch	Electronic Data Processing Department, Tamsui Institute of Business Administration
Ms. Hui-Hsin Liu 劉慧欣	49	Senior Vice President	Master's degree, Department of Finance, National Chengchi University
Mr. Wei-Hsin Chen 陳維新	57	Senior Vice President	Master of Actuarial Science, University of Wisconsin
Ms. Shu-Chuan Li 李淑娟	56	Senior Vice President	Department of Law, National Chung Hsing University

Name	Age	Title	Major education and experience
Mr. Wei-Heng Chang 張維亨	61	Senior Vice President	Department of Applied Mathematics, Chung Yuan Christian University
Mr. Shih-Nin Low 劉禧寧	56	Senior Vice President	Department of Economics, Macquarie University
Mr. Brian Tsai 蔡昇豐	51	Vice President / Chief Financial Officer	Master of Risk Management and Insurance, National Chengchi University

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds before deducting underwriting commissions to be charged by the Managers and other expenses incurred or to be incurred in connection with the offering of the Bonds will be U.S.\$697,711,000. The net proceeds of the Bonds will be used to supplement and strengthen the Guarantor's financial structure and capital base and to improve the capital adequacy ratio of the Guarantor.

REGULATION AND SUPERVISION OF THE TAIWAN LIFE INSURANCE INDUSTRY

REGULATORY AUTHORITY

In the past, Taiwan adopted a multilateral supervisory system. Financial industries, including insurance, securities and banking sectors, were regulated and supervised under the Department of Insurance, the Securities and Futures Commission and the Bureau of Monetary Affairs of the Ministry of Finance. Moreover, the supervision and on-site examination of banks were conducted by multiple authorities with overlapping coverage, including the Central Bank of the Republic of China (Taiwan), the Ministry of Finance and the Central Deposit Insurance Corporation.

In order to promote integrated financial supervision, the FSC was established on 1 July 2004 as a single financial regulator and an independent authority to take the responsibility for financial supervision and to consolidate the functions of monitoring and rule-setting for the banking, securities, and insurance industries, and also to carry out cross-sector financial examinations. Nonetheless, following the governmental reorganisation effective from 1 July 2012, the FSC has become a subordinate agency under the direction of the Executive Yuan. The Chairperson and the Vice Chairpersons of the FSC are appointed by the premier of the Executive Yuan and are vested with the executive power. The Chairperson and Vice Chairpersons and all the other commissioners under the FSC are required to have expertise and experience in areas of the financial industry.

The FSC consists of four bureaus, namely the Insurance Bureau, the Banking Bureau, the Securities and Futures Bureau and the Financial Examination Bureau. The Insurance Bureau, the Banking Bureau, and the Securities and Futures Bureau regulate and supervise the insurance, banking, securities industries, respectively. The Financial Examination Bureau is responsible for law enforcement and financial examination. Under Article 5 of the Organic Act of the Financial Supervisory Commission of the ROC, the Financial Examination Bureau is granted the power to: (1) require a financial institution, a related party thereof, or a public company to present relevant materials; (2) notify an examinee to appear at a designated office to answer inquiries from government officers; or (3) apply for issuing a search warrant, and then enter and search the suspected places accompanied by judicial police authorities, provided that appropriate procedures are followed.

REGULATORY ENVIRONMENT FOR INSURANCE BUSINESS

The insurance industry is a heavily regulated industry in Taiwan. The Insurance Bureau under the FSC is the official organisation that regulates the insurance industry in Taiwan, supervising, among others, the insurance, reinsurance, insurance brokerage and insurance agencies in Taiwan.

Legal framework of insurance industry is comprised of the Insurance Act, the Regulations for Establishment and Administration of Insurance Enterprises of the ROC and other applicable laws and regulations, including the Regulations Governing Insurance Brokers, the Regulations Governing Insurance Agents, the Regulations Governing the Supervision of Insurance Solicitors, the Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises, the Regulations Governing Pre-sale Procedures for Insurance Products and the relevant rulings promulgated by the FSC from time to time.

Authorisation and License

According to the Insurance Act, a domestic insurance company must obtain the FSC's approval prior to commencing business. To obtain the approval of the FSC, an insurance company must meet the following requirements:

- **Type of incorporation:** According to Article 136 of the Insurance Act, an insurance company must be organised as a company limited by shares or as a cooperative. If an insurance company is organised as a company limited by shares, it shall be a public company unless otherwise permitted by law or by the FSC. Additionally, an insurance company that is not a public company must establish an audit committee and elect independent directors to ensure good governance.
- **Minimum Capital Requirement:** According to Article 2 of the Regulations Governing the Establishment and Administration of Insurance Enterprises, the minimum paid-in capital for an insurance company is NT\$2,000,000,000. The capital contribution by the promoters and shareholders is limited to cash. When the promoters apply for permission to establish an insurance company, at least 20% of the minimum paid-in capital must be collected and deposited in a specific account in accordance with Article 7 of the Regulations Governing the Establishment and Administration of Insurance Enterprises.

- **Capital Adequacy Requirement:** According to Article 143-4 of the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Enterprises, an insurance company is subject to a minimum risk-RBC ratio. It is considered adequate if the RBC adequacy ratio of an insurance company equals to or exceeds 200% and the net worth ratio is more than 3% in one of the most recent two periods. If RBC adequacy ratio of an insurance company does not satisfy the relevant requirements, the relevant authorities may impose a range of regulatory sanctions depending on the degree of deficiency in its RBC adequacy ratio. Where necessary, the FSC may adjust the ratio according to international standards.
- **Deposit Bond:** According to Article 141 of the Insurance Act, an insurance company is required to post a deposit bond at the national treasury in an amount equal to 15% of the total amount of its paid-in capital or paid-in fund. The bond shall be posted in cash, or, with approval of the FSC, government bonds or notes. In principle, the posted bond can only be returned when such insurance company ceases or suspends its operation.
- **Deposit of Reserve Funds:** According to Article 145 of the Insurance Act, at the end of each fiscal year, an insurance company shall calculate the amount it should allocate to the various reserve funds for each type of insurance, and shall record such reserve amounts in special account books. The reserve ratios for the various reserve funds are prescribed in the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- **Stabilisation Funds:** Enterprises engaged in non-life insurance and life insurance shall make contributions to set up an independent stabilisation funds. According to Article 143-1 of the Insurance Act, the stabilisation funds shall be incorporated as foundations, and their governing regulations shall be prescribed by the FSC.

Responsible Persons of an Insurance Enterprise

The required qualifications of the responsible persons of an insurance company are prescribed by the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises. In general, if a person has no or limited legal capacity, has committed certain crimes relating to financial matters or other criminal offenses, is proven to have been involved with dishonest or improper activities, is an undischarged bankrupt or currently serves as a responsible person of the companies in the financial sector, such person is prohibited from acting as a responsible person (including directors) of an insurance company.

Approval of Major Shareholders

Although there is no ownership restriction on insurance companies in the ROC, any person who acquires more than 5% of the shares in an insurance company must notify the Insurance Bureau of the FSC within 10 days after such acquisition. In addition, a person seeking to become a major shareholder (holding shares equal to or exceed 10%, 25% or 50% of the shares in the insurance company) of an insurance company through acquisition of shares must meet certain criteria as set forth in the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of an Insurance Enterprise, and obtain prior approval from the FSC.

If a major shareholder fails to meet any of the requirements set forth in the relevant laws, the FSC may request such major shareholder to take any necessary measures (including a compulsory disposal of its shares in the insurance company) or revoke the previously granted prior approval for the acquisition of shares in the insurance company.

THE FINANCIAL CONSUMER PROTECTION ACT

As financial services enterprises, activities by insurance companies are subject to the Financial Consumer Protection Act of the ROC, which became effective in June 2011. According to Article 7 of the Financial Consumer Protection Act, when an insurance enterprise enters into a contract with a financial consumer for the provision of financial products or services, it shall act in conformance with the principles of fairness, reasonableness, equality, reciprocity, and good faith. Where a clause in a standard form agreement violates the bona fide principle, it is clearly unfair for the consumer and therefore, the clause is void. Additionally, if there is a disagreement over the meaning of any contractual provision, the provision shall be interpreted in favour of the financial consumer. The Financial Consumer Protection Act also requires financial services enterprises, including insurance enterprises, to exercise the due care of a good administrator in providing financial products or services.

Specific limitations under the Insurance Act

According to Article 54-1 of the Insurance Act, in case any of the following was included in an insurance contract, and the inclusion of which was obviously unfair at the time the contract was signed, that portion of the agreement shall be void:

- the liabilities of the insurer required by the Insurance Act are exempted or reduced;
- the policyholder, beneficiary or insured is made to waive or restricted from asserting its rights under the Insurance Act;
- the policyholder or insured's liabilities are increased; and
- other material disadvantages imposed upon the policyholder, beneficiary or insured.

Article 54 of the Insurance Act also provides that the mandatory provisions of the Insurance Act shall not be modified by contract; provided, however, that this rule shall not apply to modification which is favourable to the insured. The interpretation of an insurance contract shall be made on the basis of seeking the true intent of the parties, and shall not be restricted by the terminology as used. If there is any doubt, in principle the interpretation shall be such as to favour the insured.

Right to Withdraw Subscriptions and Right to Terminate Contracts

In Taiwan, a consumer has a ten-day cooling-off period to withdraw his/her subscription for any insurance policy for a full refund. The cooling-off period starts from the next day when the customer receives the insurance policy. Upon cancellation, the insurer shall return any premiums paid by the consumer with no interest.

A policyholder can terminate a life policy at any time. Nonetheless, an insurer may terminate the life policy if: (i) due to the actions or behaviour of the policyholder or the insured, the risks covered by the insurance policy increases to the extent that the insurance agreement may be terminated or the premium shall be raised but the policyholder does not agree the raise of premium; (ii) the premium is not paid within the certain period; and (iii) other terms provided in the insurance contract expressly provided under the insurance policy.

Punitive Penalty Surcharges

In case of a violation of the principles regarding the duty to explain, prohibition of unfair sales practices, and prohibition of improper solicitation and advertisements by a financial service provider, when the violation is deemed severe, the FSC may increase the penalty to the extent appropriate within the scope of the benefit gained by such financial service provider, regardless of the limitation of the maximum penalty set by the relevant provisions under the Financial Consumer Protection Act.

SALES

Scope of Business of Life Insurance Companies

According to the Insurance Act, insurance can be classified into "property insurance" or "personal insurance". It further provides that "personal insurance" includes life insurance, health insurance, personal accident insurance and annuity insurance. Under the Insurance Act, a life insurance company is prohibited from concurrently operating a life insurance business and property insurance business (including property, marine and cargo and liability insurance) and therefore, in Taiwan, a life insurance company can only operate life insurance, health insurance, personal accident insurance and annuity insurance. Nonetheless, a life insurance company and a property insurance company can be subject to common control by a financial holding company under the ROC law.

Overlap of Products with General Insurance Companies

Although a life insurance company is prohibited from concurrently operating a life insurance business and property insurance business (including property, marine and cargo and liability insurance), a property insurance company may engage in health insurance and personal accident insurance if prior approval from the Insurance Bureau of the FSC is obtained.

General Terms of Insurance Policy

Generally, all rate formulas, terms of policies, and design for each kind of insurance product shall be subject to either prior-approval or use-and-file procedure (as applicable) of the Insurance Bureau pursuant to the Insurance Act and its related regulations. For the insurance policies requiring prior approval, the insurer can only issue and sell such insurance products to the public after obtaining the FSC's approval. However, for the sale of certain insurance products that are under the use-and-file procedure, the prior approval of the FSC is not required. Instead, notification to the FSC must be made within 15 days after the issuance of the policies. Use-and-file procedure is generally required for any amendment to terms of policies, insurance application or proposal forms, pricing actuarial memorandum, and premium rates of policies that have previously been approved by or filed with the Insurance Bureau. However, if the Insurance Bureau deems the change material or such change increases the renewal premium rates of guaranteed renewable personal health insurance products, this will require the Insurance Bureau's prior approval. In addition, the FSC may issue regulations regarding product pricing and premium calculation formulas. Prior to entering into a life insurance contract, an insurer must provide the information required by the relevant applicable regulations. A person must fill out an insurance application or proposal form and submit such application to the insurer, which has the discretion to agree whether to underwrite the policy or not.

Insurance Solicitation

Article 136 of the Insurance Act makes it clear only an "insurance enterprise", which is registered with and licensed by the FSC, can engage in any insurance or insurance related activities. Article 163 of the Insurance Act sets out the general prohibition on unlicensed operation of an "insurance broker" or "insurance agent" and Article 167-1 of the Insurance Act imposes a criminal liability on the agency, brokerage or solicitation for unlicensed insurers.

Article 9 of the Insurance Act provides that the term "insurance broker" means "a person who, on the basis of the interests of the insured and on his behalf, contacts an insurer for conclusion of an insurance contract and collects commission from the insurer that undertakes the insurance". Article 8 of the Insurance Act provides that the term "insurance agent" means "a person who, on basis of an agency agreement or a letter of authorisation, collects remuneration from the insurer and acts as an agent in managing business operations." In addition to "insurance enterprise", "insurance broker" and "insurance agent", the statute further extends its coverage to "insurance solicitor", which refers to "a person who solicits insurance business for insurance enterprises, insurance broker companies, or insurance agents". All brokers, agents and solicitor are required to pass a qualifying examination and be registered with the competent authority. A solicitor shall pass a qualifying examination and be registered with a principal which may be an insurance enterprise, agent, or broker.

Unless otherwise permitted by law, if a person or entity is seen as providing agency, brokerage services or soliciting insurance business on behalf of an unlicensed "insurance enterprises" (which may include a foreign insurance company) in Taiwan, that person or entity will be in violation of the Insurance Act and hence subject to a prison term of not more than 3 years, and in addition thereto, a fine ranging from NT\$3,000,000 to NT\$20,000,000.

Marketing

Insurance companies and distributors may use the various methods and channels to market insurance products, including local premises, internet, television advertisements, telephone calls, visit to potential clients, and any other methods approved by the FSC. Advertising of insurance products are subject to further restrictions as provided in, among others, the Regulations Governing Insurance Brokers, the Regulations Governing Insurance Agents and the Self-Regulatory Rules for the Advertisement and Promotional Activities for Solicitation of Insurance Business. The marketing and selling activities of insurance products are also subject to the requirements set forth in the Fair Trade Act, Consumer Protection Law and Financial Consumer Protection Act of the ROC.

Pursuant to Article 38 of the Regulations Governing Insurance Brokers and Article 36 of the Regulations Governing Insurance Agents, the content of publicity and advertising used in insurance solicitation by insurance solicitors of an agent company or a broker company shall have been approved by the employing company; the employing company shall furthermore bear liability in this regard. Further, the documents, graphic illustrations, advertising, or promotional materials used by a solicitor in soliciting insurance shall indicate the name of the employing company, and, where the employing company is an agent company or broker company, the name of the insurance enterprise acting as its provider.

The content of the documents, graphic illustrations, advertising, or promotional materials shall comply with the policy provisions, premium rates, insurance application or proposal form, and any other such documents as reviewed and approved by the FSC and shall be used upon approval by the employing company. The content shall also comply with requirements prescribed by the FSC in relation to information disclosure.

Apart from the above, an insurance company shall comply with the following requirements stipulated in Article 4 of the Self-Regulatory Rules for the Advertisement and Promotional Activities for Solicitation of Insurance Business:

- disclose the name, address and telephone number of the insurance company;
- ensure the correctness of the advertisement;
- the materials shall be made in the name of the insurance company and the content shall be approved by the company;
- the content shall be in plain Chinese and indicate the original language(s) if necessary;
- if the disclosure of insurance products or services is in relation to the insurance rate, fee, reward and risk, the disclosure shall be expressed in an equal and remarkable way;
- a life insurance company shall disclose relevant information according to the Rules Governing the Disclosure of Information for the Participating and Nonparticipating Life Insurance Policies;
- for a participating insurance policy, the participation rate may not be used to solicit clients. An insurance company may not compare the amount of participation with the returns of the same businesses, bank deposits or other financial products in the advertising activities;
- the content of the advertisement shall not contain or result in the following:
 - inducing the insured to early terminate the contract or redeem the contract;
 - misleading the consumers that the government has provided a guarantee by approving the insurance products;
 - producing advertising or other promotional activities for an insurance product not approved for offering by the FSC;
 - advertising by means of exaggerating past performance or negative advertising with respect to others in the industry;
 - engaging in false, fraudulent, or other misleading acts;
 - any remarks or limitation provisions in inconspicuous font; or
 - engaging in any other conduct prohibited by the FSC; and
- the proper disclosure of the capital adequacy of the insurance company, which should ensure the correctness of the content, prohibit improper comparison and competition, or misleading the consumers that the government has provided a guarantee for such insurance company or its related business, and comply with other requirements as stipulated by relevant laws, rulings and regulations.

Also, any solicitation or marketing of specific insurance products by the solicitors via online channels (including disclosing the name and feature of the insurance product, or any information that is sufficient to identify a specific insurance product) is not permitted unless the advertisement used is approved by the insurance company in advance. The Self-Regulatory Rules also require the insurance enterprises to establish a supervisory mechanism for online solicitation.

Bancassurance

Life insurance companies may use the bancassurance channel to distribute their insurance products. To engage in bancassurance business, both the insurance company and the bank must obtain approvals from the FSC. After the

first approval being acquired, a bank can deal with any other insurance companies or an insurance company can deal with any other banks without further approval unless the FSC suspends their bancassurance business (due to their violation of laws or regulations).

For joint promotion activities by and between banks, securities firms, insurance companies, insurance agents/brokers, the related insurance industry associations promulgated model agreements for joint promotion via bancassurance. The model agreements have been reviewed and recognised by the FSC. Although not mandatory, such agreement is usually adopted when the parties conduct bancassurance business in Taiwan.

ACCOUNTING AND RISK MANAGEMENT

Calculation

An insurance company is required to close its annual financials as of December 31 of each year and shall (i) compile a report detailing its operational status and the use of its funds, attaching a balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and proposal for allocation of surplus profit or compensation of deficit, and other matters designated by the competent authority, (ii) have the above items audited by a certified public accountant, (iii) submit the above items for approval at a shareholders meeting or a general assembly of cooperative members, and (iv) thereafter submit the above items to the FSC within 15 days for recordation.

In addition to the financial and business reports that an insurance company must submit to the FSC, the FSC may, if considered necessary, require either that an insurance company report, within a specified time limit, its business and financial conditions to the competent authority or an institution designated thereby, or that an insurance company furnish account books, statements, vouchers, or other related financial and operational documents. Standards governing preparation of the financial reports referred for an insurance company are set forth under "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises."

Solvency Requirements

In order to secure an insurance company's ability to pay insurance claims and assure the soundness of its management, an insurance company is required to satisfy certain RBC requirement, a regulatory capital measure to ensure the insurer can satisfy its financial obligations to the policyholders.

The Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies of the ROC, newly amended on 4 August 2023, classify insurance companies by RBC ratio into the following four tiers and pursuant to Article 143-6 of the Insurance Act, the FSC is required to adopt different supervisory measures for insurance companies in each tier:

- capital adequate (RBC ratio above 200% and the net worth ratio of an insurance company is more than 3% in one of the most recent two periods);
- capital inadequate (RBC ratio above 150% but under 200% or the net worth ratio of an insurance company is less than 3% in both of the most recent two periods and more than 2% in at least one period);
- capital obviously inadequate (RBC ratio above 50% but under 150% or the net worth ratio for both the most recent two periods of an insurance company is less than 2% and more than zero); and
- capital seriously inadequate (RBC ratio under 50% or the net worth of the insurance company is less than zero).

For an insurance company classified as "capital seriously inadequate" and where such insurance company or its responsible person fails to complete the capital injection plan or the corrective action plan for finance or business within the specific period required by the FSC, the FSC will, within 90 days following the expiration of the above specific period, assume conservatorship or receivership over such and insurance company, order the insurance company to suspend and wind up business, or liquidate it. For the FSC to effectively monitor the insurance industry's capital adequacy, each insurer must file the RBC ratio report periodically (annual and semi-annual) with the FSC.

For increased alignment with international regulatory supervision standards, the Insurance Bureau of the FSC has announced a plan to adopt a new solvency regime (i.e., the TW-ICS) in 2026, which will be based upon the ICS.

The introduction of TW-ICS aims to have the local insurer's financial statements reflect the assets/liabilities at fair value and more aligned with the international measurements of the insurance companies' financial conditions.

Key differences between the traditional RBC ratio requirements and the TW-ICS regime are as follows:

- solvency measurement will move away from a historical-value balance sheet approach to an economic balance sheet approach, providing a current view of the solvency position of an insurer. Asset and liabilities are measured at mark-to-market value;
- the calculation of required capital will move away from a factor-based approach to a stress-based approach to better capture the "tail-risk" as broader risks will be included; and
- requirements on assets qualifying as admissible capital for solvency purposes will be stricter than the current requirement and the capital will be classified into Tier 1 limited capital, Tier 1 unlimited capital and Tier 2 capital based on quality considerations.

To ensure a smooth transition into the TW-ICS regime, the FSC takes a gradual approach and plans to adopt the new regime in three phases:

- phase 1 (on-site field testing phase), 2020 – 2021: Insurance companies are required to conduct the on-site field testing and research projects for the implementation of the TW-ICS regime. During this period, drafting of the localised supervisory rules for the implementation of the TW-ICS regime would be carried out by the FSC and other regulatory bodies;
- phase 2 (parallel run phase), 2022 – 2024: Insurance companies are required to submit information calculated based on the draft rules implementing the TW-ICS regime in addition to the traditional RBC ratio. During this period, drafting of transitional measures and localised supervisory rules and a full review of the required amendments to the existing laws and regulations for the implementation of the TW-ICS regime would be conducted by the FSC and other regulatory bodies; and
- phase 3 (preparatory phase), 2025: During this period, insurance companies are required to review all related process to implement the TW-ICS regime.

Implementation timetable: Implementation of the TW-ICS regime is scheduled to take place in 2026, to align with the adoption of IFRS 17.

ASSET MANAGEMENT

Restrictions on Asset Management

An insurance company's fund is equivalent to the sum of its shareholders' equity plus all required reserves ("**Insurance Funds**"). According to the Insurance Act, an insurance company can use its Insurance Funds only for (i) savings deposits; (ii) investment of securities; (iii) purchase of real estate; (iv) lending; (v) engaging, with the approval of the Insurance Bureau of the FSC, in special projects, public investments (e.g., infrastructure and utilities) and social welfare enterprises; (vi) foreign investments; (vii) investments in insurance-related businesses (businesses of insurance, financial holding, banking, bills, trust, credit card, finance leasing, securities, futures, securities investment trust, and securities investment consulting enterprises, as well as other insurance-related businesses as recognised by the Insurance Bureau of the FSC); (viii) trading in derivative products as approved by the Insurance Bureau; and (ix) others as approved by the Insurance Bureau.

Domestic Securities Permitted to Be Invested by an Insurance Company

According to Article 146-1 of the Insurance Act, investment in domestic securities made by an insurance company is limited to following type of securities, subject to a ceiling of aggregate investment amount set by the FSC for each type of the domestic securities:

- government bonds and treasury notes;
- financial debentures issued by banks, transferable certificates of deposit, bills of exchange accepted by banks, and commercial paper guaranteed by financial institutions; and
- shares issued through public offering.

- corporate bonds issued through public offering (i) secured by collateral or (ii) with the issuer's credit rating at least twBBB- provided by Taiwan Ratings Corp. or an equivalent rating from S&P, Fitch and Moody's;
- beneficiary certificate of the security investment funds or other mutual funds permitted to be issued through public offering;
- securitisation-related products; and
- other securities issued through private placement if the investment subject meets certain financial or other qualifications as set forth in the Measures for the Administration of Investment in Unlisted, Unlisted and Privately Placed Securities in the Insurance Industry.

Even if insurance companies are permitted to acquire shares issued through public offering, the exercise of their shareholder rights is limited. As shareholders, insurance companies are not allowed to be elected nor to appoint a representative as director or supervisor of such issuing company, to vote for directors or supervisors of such issuing company, to appoint any personnel to the management of such issuing company, to act as trustee of the invested securitisation-related products or to enter into any agreement with any other person for the purpose of engaging in the business operations of such issuing company.

Additionally, except for the investment in insurance-related industry or other industry allowed by the FSC or other competent authorities, an insurance company is prohibited from (i) investing more than 5% of its Insurance Funds in equity shares of one single company and (ii) holding more than 10% of paid-in capital of one single company.

Foreign Investment by Insurer

Foreign investment by an insurer is limited to the following categories and is subject to certain maximum amount restriction as specified under the FSC Regulations Governing Insurance Company's Foreign Investment:

- foreign currency deposits;
- offshore securities, which include, among others, (i) government bonds, treasury bills, and savings bonds issued by foreign governments, (ii) financial bonds, negotiable certificates of deposit, or floating rate notes issued or guaranteed by foreign banks, (iii) corporate bonds and financial debentures denominated in foreign currencies issued by domestic companies or banks, (iv) commercial papers denominated in foreign currencies, (v) stocks or corporate bonds traded on foreign centralised security markets or over-the-counter markets, (vi) beneficiary certificates of foreign securities investment trust funds, (vii) securitisation products, and (viii) bonds issued by international organisations;
- loan denominated in foreign currency;
- derivatives;
- offshore real estate;
- establishment of or investment in a foreign insurance company, insurance agency, insurance brokerage, oversea special purpose vehicle for the purpose of issuing bonds with capital characteristics for specific use of proceed ("**Offshore Fundraising SPV**") or other insurance-related enterprise approved by the FSC;
- investment project approved by the Executive Yuan of the ROC; and
- other foreign investment approved by the FSC.

When undertaking foreign investment, only insurance company approved by the Insurance Bureau of the FSC may engage in derivatives trading for the purpose of risk hedging, enhancing the investment efficiency, and for structured products transactions; relevant measures for self-regulation in derivatives trading may be adopted by related industry associations and implemented after reporting to and ratification by the Insurance Bureau of the FSC.

In principle, the ceiling amount of foreign investment is 45% of such insurance company's Insurance Funds. The FSC also promulgates specific limitations and ceiling amounts applicable to each type of foreign investment under the FSC Regulations Governing Insurance Company's Foreign Investment and other regulations. Additional investment limitations apply to investment denominated in RMB.

Other major investment limits on the foreign investment include:

- the total outstanding balance of loans denominated in foreign currency together with the total outstanding balance of other permissible types of loan, including (i) loans guaranteed by a bank, or by a credit guarantee institution recognised by the FSC, (ii) loans secured by personal property or real property, and (iii) loans secured by certain qualified securities, e.g., government bonds and treasury bills, under the Insurance Act shall not exceed 35% of the Insurance Funds;
- the amount an insurance enterprise invests in the corporate bonds and stocks issued by the same corporation shall not exceed 5% of its Insurance Funds and 10% of the shareholders' equity of such issuer;
- the amount an insurance enterprise invests in bonds issued or guaranteed by each foreign governmental agencies shall not exceed 5% of its Insurance Funds;
- an insurance enterprise may not invest in offshore real estate, including real estate located in the PRC, unless (i) such insurance enterprise's RBC ratio satisfies the statutory standards, (ii) there are no major sanctions and penalties for violations of the Insurance Act in relation to the use of its Insurance Funds in the most recent two years and there are no major violations of the internal control procedures governing various applications of funds in the most recent two years, or rectification of those violations has been carried out and affirmed by the competent authority, and (iii) a risk management committee has been established or a chief risk officer has been appointed to govern the overall risk management of such insurance enterprise; and
- the amount an insurance enterprise invests in offshore real estate shall not exceed 1% of its Insurance Funds and 10% of its shareholders' equity. Notwithstanding the foregoing, in cases where an insurance enterprise's RBC ratio for the most recent period reaches more than 1.25 times the statutory standards, such ceiling amount shall be 2.5% of its Insurance Funds and 40% of its shareholders' equity, and in cases where an insurance enterprise's RBC ratio for the most recent period reaches more than 1.5 times the statutory standards, such ceiling amount shall be 3% of its Insurance Funds and 40% of its shareholders' equity.

A prior approval from the Insurance Bureau of the FSC must be obtained for the establishment of or investment in a foreign insurance company, insurance agency, insurance brokerage, or other insurance-related enterprise approved by the FSC (collectively "**Offshore Insurance Related Companies**") by an insurance enterprise. When reviewing the application for such foreign investment, the applicant insurance enterprise must demonstrate that, among others, it has complied with the all relevant requirements for making the mandatory reserves in the preceding year, it has met the relevant RBC requirements, its board as well as the board of its financial holding parent company, if applicable, have approved such foreign investment, it has established internal control procedures related to investment in Offshore Insurance Related Companies, and it has established a risk management committee or appointed a chief risk officer to govern the overall risk management of such insurance enterprise. After the completion of such foreign investment of Offshore Insurance Related Companies, the insurance enterprise is subject to various post-investment monitoring and reporting obligations. For example, the insurance enterprise must make filings with the FSC within seven days following the occurrence of certain events, including the change of business scope or the major operational policy of the invested Offshore Insurance Related Companies, making of an important financial or business decision that requires an extraordinary resolution of the board of the invested Offshore Insurance Related Companies, dissolution or cessation of business of the invested Offshore Insurance Related Companies, merger or sale of substantial or all of its assets, etc. In addition, the insurance enterprise shall, at least once in a quarter, have its board of directors be reported and to discuss all material financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of such invested Offshore Insurance Related Companies. If such invested Offshore Insurance Related Companies is a subsidiary of the investing insurance enterprise, the above matters may be discussed in a dedicated department authorised by the board of the investing insurance enterprise. Furthermore, if the insurance enterprise is a subsidiary of the financial holding company established in Taiwan, the above matters shall be reported to the board or a dedicated department of its controlling financial holding company.

Similar to the requirements applicable to the investment in the Offshore Insurance Related Companies, a prior approval from the Insurance Bureau of the FSC is also required for the establishment of an Offshore Fundraising SPV. Because the sole purpose of the Offshore Fundraising SPV is to serve as an offshore vehicle of the insurance enterprise to issue bonds with capital characteristics for fundraising purpose, the Offshore Fundraising SPV must be structured as a wholly owned subsidiary of the insurance enterprise. In addition, except for borrowing operational funds and subject to various procedural and reporting requirements, it is not allowed for an Offshore Fundraising SPV to borrow money funds from, act as guarantor, or provide its assets as collateral for the debt of

a third-person. After the Offshore Fundraising SPV completes each offering of bonds with capital characteristics for specific use of proceed, basic information, including the issuer, issuance date, maturity date, term, issuance amount, coupon rate, redemption right, etc., related to the insurance must be disclosed to the public pursuant to the form prescribed by the FSC. Similar to the requirements applicable to the investment for the Offshore Insurance Related Companies, all material financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of the Offshore Fundraising SPV shall be reported and discussed in a dedicated department authorised by the board of the investing insurance enterprise. Furthermore, if the insurance enterprise is a subsidiary of the financial holding company established in Taiwan, the above matters shall be reported to the board or a dedicated department of its controlling financial holding company.

Establishment and Operation of Separate Accounts

Insurance companies must establish and operate separate accounts on the balance sheet and income statements relating to investment-linked insurance business or labour pension annuity insurance business to record the value of the assets in which it invests.

Prohibition on Provision of Guarantees or Borrowing

Under the Insurance Act, insurance companies are generally prohibited from borrowing money, pledging its assets as a security or a guarantee for repayment of a third party's debt obligations, unless a prior approval from the FSC is obtained for the borrowing for any of the following purposes:

- the borrowing is to meet cash flow needs arising from payment of major benefits, a large amount of policy surrenders, or a large amount of policy loans;
- the borrowing is needed for a merger or for assumption of the in-force contracts of a troubled insurer; or
- the borrowing is done by issuing bonds with capital characteristics, for the purpose of strengthening the insurance company's financial structure.

INTERNAL CONTROL

Overview

According to the FSC's ruling under Securities and Exchange Act of the ROC, an insurance company must have at least two independent directors and the seats of independent directors should not less than one-fifth of the total board seats.

To fulfil the oversight responsibility of independent directors, FSC promulgates various regulations. According to these regulations, the board should consider the opinion of the independent directors and record in the minutes any vote for or against the proposals as well as the reasons while dealing the following issues:

- deliberating on the systems of internal controls, the proposals of acquisition or the disposal of significant assets; and
- conducting derivatives transactions, provision of loans to another, and provision of endorsement or guarantee to another.

Internal Control Mechanism

For the purposes of compliance with applicable laws and regulations, sound management of its assets and protection of its policyholders, an insurance company is required to establish internal control procedures and standards in accordance with which its officers and employees are required to perform their duties.

Under the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, an insurer shall, based on its business nature and scale, establish internal control system covering the following aspects and review and revise such internal control procedures in a timely manner:

- insurance product development and management;
- product sales;

- claims;
- fund utilisation;
- solvency assessment;
- processing derivatives transactions;
- reinsurance;
- matters relating to accounting, general affairs, resources, personnel management and other businesses;
- management of financial examination reports;
- management of financial consumers protection;
- management of the application of international financial reporting standards;
- mechanism for handling major incidents;
- mechanism for anti-money laundering and combating the financing of terrorism ("AML/CFT") and management of compliance with relevant laws and regulations, including mechanism for identifying, assessing, and monitoring AML/CFT risks;
- sustainable information management; and
- other matters as designated by the FSC.

Whistleblowing

In Taiwan, every insurer shall set up a whistleblower system, and designate a unit at the head office with independent functions to accept and investigate whistleblower cases. The whistleblowing mechanism must, at least, include the following aspects and be approved by the board of directors of the insurer:

- the whistleblowing mechanism must make clear that anyone may file a report when discovering any crime, corruption, or potential violations;
- the scope of whistleblowing (i.e., types of cases that will be accepted);
- the establishment and announcement of the whistleblowing channels;
- the process of investigation, rules of recusal and the standard operating procedure of subsequent disposition mechanism;
- whistleblower protection measures;
- acceptance of whistleblowing, investigation process, investigation results, records and retention of relevant documentation; and
- the whistleblower shall be given appropriate notice in writing or by other means concerning the progress of the whistleblowing.

Moreover, an insurer must keep the whistleblower's identity confidential and shall not terminate, dismiss, downgrade/relocate such whistleblower, give a reduction in pay, impair their entitlement as stipulated under the law, contract, or customs, or impose any unfavourable disposition because of the whistleblowing.

To ensure the whistleblowing system functions effectively, if the alleged perpetrator is a director (council member), supervisor (member of the board of supervisor), or a managerial officer in a position equivalent to a vice general manager or higher, the investigation report shall be reviewed by the supervisors (board of supervisors) or the audit committee of the insurer. The insurer shall report to or inform relevant governmental authorities of any major incidents or violations of laws discovered during the investigation.

Conflict of interest

To control the risks arising from related party transactions by the insurer, which could present a conflict of interest and may not be consistent with the best interests of the company, shareholders, and policyholders, the FSC enacted the regulations governing the lending activities of the insurers and other transactions entered into by insurers. Such regulations include the Regulations for Extending Loans by Insurance Enterprises to Interested Parties and the Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties.

Under the Regulations for Extending Loans by Insurance Enterprises to Interested Parties, the lending activities of an insurer to a related party will be subject to the following requirements:

- such loan must be fully secured;
- the terms and conditions of the loan (e.g., interest rates, security, guarantor, borrowing period, repayment method, as applicable) should not be more favourable than those extended to other borrowers of the same category. Other borrowers of the same category refers to the person/entity to whom the loans are extended by the same insurer, for the same purpose, and under the same accounting item in the last year;
- if the loans extended to the same borrower who is a related party, respectively or aggregately, reaches NT\$100 million or accounts for 1% of the proprietary equity of the insurer, such related party loan would require the concurrence of at least three-quarters of all directors of the insurer present at a board of directors meeting attended by at least two-thirds of all directors;
- the following ceiling of respective related party loan:
 - the total amount of the secured loans extended to a single related party who is a natural person shall not exceed 2% of the proprietary equity of such insurer;
 - the total amount of the secured loans extended to a single related party which is a corporate shall not exceed 10% of the proprietary equity of such insurer; and
 - the total amount of the secured loans extended to the same related party shall not exceed 30% of the proprietary equity of such insurer;
- the total amount of all related party loans of an insurer shall not exceed 1.5 times of the proprietary equity of such insurer.

In terms of other related party transactions, an insurer is required to comply with the following requirements set forth in the Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties:

- the terms and conditions of the related party transaction should not be more favourable than those with similar counterparties in the market; and
- the following limits on the transaction amount:
 - the aggregate amount of transactions with a single related party shall not exceed 10% of the proprietary equity of such insurer;
 - the aggregate amount of transactions with all related parties shall not exceed 60% of the proprietary equity of such insurer; and
 - such related party transaction would require the concurrence of at least three-quarters of all directors of the insurer present at a board of directors meeting attended by at least two-thirds of all directors.

Outsourcing regulatory framework

Under the outsourcing regulatory regime in Taiwan, if an insurance company intends to outsource certain matters, it must comply with the relevant requirements stipulated under the Directions for Operation Outsourcing by Insurance Enterprises ("**Outsourcing Directions**") promulgated by the Insurance Bureau of the FSC. Under the Outsourcing Directions, an insurer is permitted to outsource only the operational or back-office matters related to

the insurance company's business or certain matters related to customer information as listed under Clause 3 of the Outsourcing Directions.

Prior approval is required if an insurer outsources its information technology systems used in material business operations and involving relevant data of customers who is a natural person to an offshore entity. Whether the outsourcing of the information technology systems requires prior approval would be subject to the three-element test, namely (1) materiality, (2) natural person customer data, and (3) offshore destination. If any element is absent, no prior approval is required pursuant to Paragraph 2, Clause 4 of the Outsourcing Directions.

Every insurer is required to establish a risk-based outsourcing management framework and strengthen its ability to respond to emergencies. Additionally, the insurer shall bear the ultimate responsibility for outsourcing arrangements pursuant to Paragraph 2, Clause 4 of the Outsourcing Directions. Before and during the outsourcing, an insurer should evaluate the risk of the outsourcing matters, assess the impact on operations and consumer rights and take appropriate control measures based on the risk level.

To strengthen the FSC's supervisory measures, if there is any violation of relevant laws and regulations, the FSC may, depending on the severity of the case, require the insurer to take necessary measures such as terminating or suspending outsourcing engagement and making improvements within a specified time frame.

COMPLIANCE OFFICER AND RISK MANAGEMENT TASK FORCE

An insurance company is required to designate a dedicated compliance unit under the supervision of the general manager to take charge of the planning, management and implementation of the compliance system and investigate and report any violation to the audit committee. The compliance unit shall be led by a head office chief compliance officer who oversees the compliance matters and reports to the board of directors (committee) and supervisors or the audit committee at least semi-annually, and in case of any major regulatory violation, immediately inform the directors (committee members) and supervisors, and report to the board of directors (committee) on compliance matters.

An insurance company shall establish appropriate risk management policies and procedures, which shall be adopted by the board of directors and be reviewed regularly. In addition, an insurance company shall establish an independent risk management task force and regularly report to the board of directors; upon identifying a significant risk exposure that might adversely affect its financial or business status or compliance with applicable acts and regulations, the task force shall take immediate and adequate countermeasures and submit a report to the board of directors.

Pursuant to Article 34-2 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, the risk management mechanisms of an insurance company shall include the following principles:

- identifying and evaluating the acceptable scope of risks based on the business scale, product characteristics, and overall economic conditions;
- risks that must be considered include market risks (including interest rate risks), credit risks, liquidity risks, operational risks, insurance risks, asset liability matching risks, and other risks. Related risk management mechanisms shall also be established; and
- the management must regularly review the risk management mechanism and the own risk and solvency assessment ("ORSA") mechanisms in accordance with relevant laws and regulations, self-regulatory guidelines, and actual economic conditions, and adopt appropriate strategies.

An insurance company shall consider the nature, scale, and complexity of its business risks based on its risk management framework and develop ORSA operation processes that are appropriate for its organisational structure and risk management system.

The risk management mechanisms established by an insurance company shall include at least the following matters:

- the risk management framework shall include, among others, risk governance, risk management organisational framework and duties, risk identification, risk measurement, risk response, risk monitoring and information, communication, and documentation;

- the risk management mechanisms shall incorporate the business management and corporate culture of the insurance company, and shall adopt qualitative and quantitative technologies in accordance with the risk management policies to manage relevant risks that can be reasonably anticipated by the insurance company; and
- the insurance company shall set its risk appetite and specify the risk level it is willing to accept to attain strategic objectives and business plans. It must also set risk limits concerning major risks for regular monitoring and management.

Disclosure Requirements

The Insurance Bureau of the FSC promulgated several regulations and rulings to regulate the pre-contract disclosure, including the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises. The ROC Life Insurance Association and the ROC Non-Life Insurance Association have also promulgated the required disclosure information, which was reviewed by the Insurance Bureau of the FSC.

An insurance company must accurately create and provide documents detailing its financial and business matters and make such documents publicly available for inspection in compliance with the applicable regulations. If an insurance enterprise becomes aware of any material information affecting the rights and interests of consumers, it shall report to the competent authority in writing within two days and explain the matter publicly.

Key disclosure requirements under the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises are as follows:

- company overview: including organisational structure, functional duties of departments, name of each department's responsible person, the dates of establishment, addresses, telephone and fax numbers, free telephone complaint line numbers, website addresses and e-mail addresses for the head office, branch offices (administering post offices), service centres, contact centres, and other domestic and overseas branch institutions;
- financial overview: including a funds utilisation table, a balance sheet with appended notes for any capital increases or decreases, a consolidated income statement, a statement of changes equity, insurance contract liabilities, insurance contract assets (including liability for remaining coverage, liability for incurred claims and asset for insurance acquisition cash flows), financial liabilities related to investment contracts measured at fair value through profit or loss, and financial liabilities related to investment contracts measured at amortised cost, etc.;
- operations overview: including market share, premium revenues and indemnity paid for each type of insurance, reserves for each type of insurance, insurance solicitors' 13-month retention rate, average insured amount under newly-written individual life-insurance policies, average insured amount under in-force individual life-insurance policies, average premiums under in-force individual life-insurance policies, the ratio of appeal cases (including claim and non-claim appeal cases) filed with the financial ombudsman institution ("FOI") and the average number of days taken for the FOI to process the cases, the number of claims litigations and the ratio of litigations to claims, etc.;
- corporate governance report: including the corporate governance framework and regulations, the equity structure of the company and shareholder rights, the structure, diversity policy and level of independence of board of directors, the operation of board of directors, the responsibilities of board of directors and managers, the composition of the audit committee and election of supervisors, their responsibilities and level of independence, etc.;
- insurance product: the reference number and date of insurance product, contract key terms, the extent of coverage and any exclusions, the relationship between policy value reserves and cash surrender value of policies, and the formula for calculation of cash surrender value, the formula used in calculating policy dividends and an explanation of its use and participating policy dividends, the provisions governing reduced paid-up insurance and extended term insurance, rules and limitations governing policy conversion, etc.;
- material information affecting the rights and interests of the consuming public: including change in shareholder equity of 10% or more, any litigation, non-litigation, administrative disposition, administrative litigation, or application for or execution of a provisional attachment or provisional injunction having a

material effect on finance or operations, a change of chairperson, general manager, independent director, or one third or more of the directors, a change of responsible person for the branch office of a foreign insurance enterprise in Taiwan, a change of certified public accountants or a change in the fiscal year (note that the disclosure provision does not apply if the change of certified public accountants is effected due to internal adjustment of the accounting firm), a capital increase ordered by the competent authority pursuant to applicable laws and regulations, a board of directors resolution for a capital decrease or issuance of new shares for a capital increase, failure to obtain the competent authority's approval for a plan for capital increase or decrease or a capital increase application mentioned above, a change in the company name, dissolution or transfer of insurance contracts, a certified public accountants issues an audit or review report containing an opinion other than an unqualified, the enterprise's assets are insufficient to satisfy its liabilities and any other occurrence of malpractice, litigation, or ineffective investment or business management likely to affect goodwill or financial soundness; and other matters.

TAXATION

The following is a general description of certain tax considerations relating to the Bonds and is based on law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to changes and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, whether in those jurisdictions or elsewhere. Prospective purchasers of the Bonds should consult their own tax advisers as to which jurisdictions' tax laws could be relevant to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of those countries. It is emphasised that none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them or any other persons involved in the offering and sale of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for purchase, holding or disposal of the Bonds.

ROC

The following discussion is a summary of the material ROC tax considerations relevant to an investment decision by non-ROC Bondholders. The summary addresses the principal ROC tax consequences of the ownership and disposition of the Bonds to non-resident individuals ("**Non-ROC Individual Holders**") or non-resident entities ("**Non-ROC Entity Holders**", together with the Non-ROC Individual Holders, the "**Non-ROC Holder**") that hold such Bonds. A Non-ROC Individual Holder is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Bonds and a Non-ROC Entity Holder is a corporation or a non-corporate body that is organised under the laws of a jurisdiction other than the ROC and does not have a fixed place of business or business agent in the ROC.

Interest Payments

Payments of interest and premium on the Bonds made by the Issuer will not be subject to ROC withholding tax. Payments of interest or premium (if any) on the Bonds made by the Guarantor under the Guarantee of the Bonds to a Non-ROC Holder will be subject to ROC withholding tax at a rate of 15 per cent. at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is resident.

Capital Gains Tax

Capital gains derived from the sale of the Bonds will not be subject to ROC income tax.

Stamp Duty

No ROC stamp duty will be chargeable upon the issue or transfer of a Bond.

Tax Treaties

At present, the ROC has double tax treaties with Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Eswatini, France, Gambia, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Kiribati, Korea, Luxembourg, Malaysia, New Zealand, North Macedonia, Paraguay, Poland, Saudi Arabia, Senegal, Singapore, Slovakia, South Africa, Sweden, Switzerland, the Netherlands, the UK, Thailand, and Vietnam. These tax treaties may provide a reduced withholding tax rate on interests and dividends paid with respect to bonds or shares in ROC companies.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA makes ("**FATCA**"), a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the ROC) have entered into, or have agreed in substance to, intergovernmental agreements with the U.S. to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years

after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Bonds (as described under "*Terms and Conditions of the Bonds - Further Issues*") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SINGAPORE

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Monetary Authority of Singapore ("**MAS**") in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis, including amendments to the Income Tax (Qualifying Debt Securities) Regulations to include the conditions for the income tax and withholding tax exemptions under the qualifying debt securities ("**QDS**") scheme for early redemption fee (as defined in the Income Tax Act) and redemption premium (as such term has been amended by the Income Tax Act). These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any Bondholder or of any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive tax incentive(s)) may be subject to special rules or tax rates. Prospective Bondholders are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Bonds, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantor nor any other persons involved in this Offering Circular accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Bonds.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, the following payments are deemed to be derived from Singapore:

- any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 24 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the

payment is subject to a final withholding tax of 15 per cent. The above withholding tax rates may be reduced by applicable tax treaties, subject to certain conditions.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from Singapore income tax, including interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium derived from debt securities, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

As the issue of the Bonds is jointly lead-managed by Citigroup Global Markets Singapore Pte. Ltd., Goldman Sachs (Singapore) Pte. and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch, each of which is a Specified Licensed Entity (as defined below), and the Bonds are issued as debt securities before 31 December 2028, the Bonds should be QDS for the purposes of the Income Tax Act to which the following treatment shall apply:

- subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Bonds of a statement to the effect that where interest, discount income, early redemption fee or redemption premium is derived from the Bonds by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Bonds using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Bonds derived by a Bondholder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore, or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Bonds are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require), Qualifying Income from the Bonds derived by any company or body of persons (as defined in the Income Tax Act) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- subject to:
 - (i) the Issuer including in all offering documents relating to the Bonds a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium derived from the Bonds is not exempt from tax shall include such income in a return of income made under the Income Tax Act; and
 - (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Bonds in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Bonds as the MAS may require,

Qualifying Income derived from the Bonds is not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- if during the primary launch of the Bonds, the Bonds are issued to fewer than four persons and 50 per cent. or more of the issue of the Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Bonds would not qualify as QDS; and
- even though the Bonds are QDS, if, at any time during the tenure of the Bonds, 50 per cent. or more of the Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Bonds held by:

- (i) any related party of the Issuer; or
- (ii) any other person where the funds used by such person to acquire the Bonds are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

Pursuant to the Income Tax Act, the reference to the term "**Specified Licensed Entity**" above means:

- (i) a bank or merchant bank licensed under the Banking Act 1970 of Singapore;
- (ii) a finance company licensed under the Finance Companies Act 1967 of Singapore; or
- (iii) a person who holds a capital markets services licence under the SFA to carry on a business in any of the following regulated activities: advising on corporate finance or dealing in capital markets products.

The terms "related party", "early redemption fee" and "redemption premium" are defined in the Income Tax Act as follows:

- "**related party**", in relation to a person ("*A*"), means any person (a) who directly or indirectly controls *A*; (b) who is being controlled directly or indirectly by *A*; or (c) who, together with *A*, is directly or indirectly under the control of a common person;
- "**early redemption fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities; and
- "**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities.

References to "related party", "early redemption fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the Income Tax Act.

Where interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) is derived from the Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities under the Income Tax Act (as mentioned above) shall not apply if such person acquires the Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore. Notwithstanding that the Issuer is permitted to make payments of Qualifying Income in respect of the Bonds without deduction or withholding for tax under Section 45 or Section 45A of the Income Tax Act, any person whose interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) derived from the Bonds is not exempt from tax is required to include such income in a return of income made under the Income Tax Act.

Capital Gains

Any gains considered to be in the nature of capital arising from the sale of the Bonds will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Bonds which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature. There are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains arising from the disposal of the Bonds may be construed to be of an income nature and subject to income tax, especially if they arise from activities which the Comptroller of Income Tax would regard as the carrying on of a trade or business in Singapore.

In addition, Bondholders who apply or are required to apply Singapore Financial Reporting Standard ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be) for Singapore income tax purposes may be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Bonds, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes" below.

Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34AA of the Income Tax Act requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 (as the case may be) for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 Financial Instruments".

Holders of the Bonds who may be subject to the tax treatment under Section 34AA of the Income Tax Act should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Bonds.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Managers, and each of the Managers have agreed severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds indicated in the following table at an issue price of 99.673 per cent. of their principal amount in the amounts set forth opposite their names below:

	<u>Principal Amount of Bonds</u>
Citigroup Global Markets Singapore Pte. Ltd.....	U.S.\$233,200,000
Goldman Sachs (Singapore) Pte.	U.S.\$233,200,000
The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch.....	U.S.\$233,600,000
Total.....	<u>U.S.\$700,000,000</u>

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer (or the Guarantor) has agreed to pay the Managers a combined management and underwriting commission in connection with the offering and will reimburse the Managers for certain fees and expenses incurred in connection with the offering.

In connection with the issue of the Bonds, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) may, to the extent permitted by applicable laws and directives, over-allot the Bonds and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Managers.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and

securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer or the Guarantor.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds. The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations"(as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order"(as used in the SFC Code); and

- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcmomnibus@citi.com and hk_syndicate_omnibus@hsbc.com.hk.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Managers, the Issuer or the Guarantor that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer, the Guarantor and the Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Manager or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds and the Guarantee of the Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee of the Bonds, an offer or sale of the Bonds or the Guarantee of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
- (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

UNITED KINGDOM

Each of the Managers has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the UK.

HONG KONG

Each of the Managers has represented and undertaken that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong Special Administrative Region or Macao Special Administrative Region or Taiwan), except as permitted by applicable laws of the PRC.

SINGAPORE

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that

it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

ROC

The Bonds may not be sold, offered or issued in the ROC unless they are made available outside the ROC for purchase by such investors outside the ROC so long as no public solicitation or other relevant activities take place in the ROC.

CANADA

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are "accredited investors", as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are "permitted clients", as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN TAIWAN-IFRS AND IFRS ACCOUNTING STANDARDS

The Group's audited consolidated financial statements as of and for the years ended 31 December 2022 and 2023 have been prepared and presented in accordance with the Taiwan-IFRS. The Group's consolidated historical financial information as at and for the six months ended 30 June 2023 and 2024 have been prepared and presented in accordance with IAS34 "Interim Financial Reporting" endorsed by the FSC as well as "Regulations Governing the Preparation of Financial Reports by Insurance Institutions". Taiwan-IFRS and IFRS Accounting Standards differ in certain significant respects. A brief description of certain significant differences between Taiwan-IFRS and IFRS Accounting Standards is set forth below. The regulatory organisations that promulgate Taiwan-IFRS and IFRS Accounting Standards have projects ongoing that could affect future comparisons such as the comparison below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan-IFRS and IFRS Accounting Standards, including those specifically related to the Group or to the industries in which the Group operates. No attempt has been made to identify future differences between Taiwan-IFRS and IFRS Accounting Standards as a result of prescribed changes in accounting standards, or disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the Group's financial statements or the notes thereto. Further, had the Group undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences which are not in the following summary may have come to the Group's attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on the Group's financial statements. The Group's management has not quantified the effects of the differences between Taiwan-IFRS and IFRS Accounting Standards on any of the Group's financial results.

Summary of Certain Material Differences

Subject	Taiwan-IFRS	IFRS Accounting Standards
IFRS 17	The effective date of IFRS 17 in the ROC is 1 January 2026.	IFRS 17 was effective on 1 January 2023.
Measurement of loan loss	In addition to IFRS 9, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, credit assets are classified as normal assets ("First Category"), assets that require special attention ("Second Category"), assets that are substandard ("Third Category"), assets that are doubtful ("Fourth Category") and assets for which there is loss ("Fifth Category") based on the borrower's financial conditions and the delay for payment of principal and interests as well as the status of the loan collateral and the length of time overdue. The minimum amounts of allowance for bad debts are based upon each of the following categories: (i) The sum of 0.5 per cent. of the First Category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2 per cent. of the Second Category loan assets, 10 per cent. of the Third Category loan assets, as well as 50 per cent. and 100 per cent. of the Fourth and Fifth Category loan assets. (ii) 1 per cent. of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies. (iii) Total unsecured portion of nonperforming loans and non-accrual loans. Besides, pursuant to Jin Guan Bao Tsai No. 10402506096, Insurance Enterprise shall keep the	According to IFRS 9, an entity shall recognise a loss allowance for expected credit losses (ECLs) on financial assets at amortised cost (including receivables and loans). An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

	ratio of the allowance for bad debt over the home and construction loans at 1.5 per cent. or above to strengthen its ability against loss exposure to the aforementioned loan assets.	
Tax on unappropriated earnings	The tax on unappropriated earnings is recorded in the year the shareholders approved the appropriation of earnings.	The tax on unappropriated earnings should be accrued during the period the earnings arise and adjusted to the extent of the appropriations approved by the shareholders in the following year.
Related party	An insurance enterprise shall fully disclose information on related party transactions in accordance with IAS 24, and in compliance with the following provisions: (i) The name and relationship of the related party shall be presented. (ii) If the transaction amount or balance of any single related party reaches 10 per cent. or more of the insurance enterprise's total amount or balance of such transactions, the name of each such related party shall be individually presented. Unless it can be established that no control, joint control, or significant influence exists, a party falling within any of the following shall be deemed to have a substantive related party relationship, and relevant information shall be disclosed in the footnotes in accordance with IAS 24: (i) An affiliated enterprise within the meaning given in Chapter VI-I of the Company Act of the ROC, and any of its directors, supervisors, and managerial officers. (ii) A company or institution governed by the same general management office as the insurance enterprise, and any of its directors, supervisors, and managerial officers. (iii) A person holding the position of manager or higher in the general management office. (iv) A company or institution shown as an affiliated enterprise in the insurance enterprise's public announcement or publications. (v) Another company or institution whose board chairman or president is the same person as, or is the spouse or a relative within the second degree of kinship of, the board chairman or president of the insurance enterprise.	In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form. There is no specific guidance as required under Taiwan-IFRS.
Reserve for foreign exchange valuation	Insurance enterprise shall provide reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises.	There is no requirement for such reserve under IFRS Accounting Standards.

GENERAL INFORMATION

1. CLEARING SYSTEMS

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 288826056. The International Securities Identification Number for the Bonds is XS2888260564.

2. LEI NUMBER

The Issuer's LEI number is 2138006QCWSN6N7E1140.

3. AUTHORISATIONS

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the entry into, issue and performance of their respective obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer dated 20 August 2024 and 23 August 2024. The giving of the Guarantee of the Bonds was authorised by the resolution of the board of directors of the Guarantor dated 8 August 2024.

4. NO MATERIAL ADVERSE CHANGE

Since 30 June 2024, save as disclosed in this Offering Circular, there has been no material adverse change or development or event involving a prospective change, in the condition (financial or otherwise), prospects, results of operations or general affairs of the Issuer, the Guarantor or their subsidiaries.

5. LITIGATION

From time to time, the Issuer, the Guarantor and their subsidiaries may be involved in litigation that arise during the ordinary course of business. However, none of the Issuer, the Guarantor or any of their subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial condition or profitability of the Issuer, the Guarantor or their subsidiaries.

6. AVAILABLE DOCUMENTS

Copies of the Trust Deed and Agency Agreement are available (i) for inspection at all reasonable times during usual business hours (being between 9.00 a.m. and 3.00 p.m., Monday to Friday other than public holidays) at the specified office of the Principal Paying Agent (being, at the date of issue of the Bonds, at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent and (ii) electronically from the Principal Paying Agent, following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent.

7. AUDITOR

The Group's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023, which are included elsewhere in this Offering Circular, have been prepared in accordance with the Taiwan-IFRS and are audited by PricewaterhouseCoopers, Taiwan as stated in its reports appearing herein.

Our audited consolidated financial statements as at and for the six months ended 30 June 2024, which are included elsewhere in this Offering Circular, have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and IAS 34 that came into effect as endorsed by the FSC and are audited by PricewaterhouseCoopers, Taiwan as stated in its reports appearing herein.

8. LISTING OF BONDS

Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of U.S. \$200,000, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Certificates in definitive form. In addition, in the event that the Global Certificate is exchanged for Certificates in definitive form, announcement of such exchange will be made by the Issuer through the SGX-ST and such an announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

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Note:

1. The audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023 set out herein have been reproduced from the Company's annual reports for the years ended 31 December 2022 and 2023.
2. The audited consolidated financial statements as at and for the six months ended 30 June 2024 set out herein have been reproduced from the Company's interim report for the six months ended 30 June 2024.
3. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

INDEPENDENT AUDITORS' REPORT

PWCR23000397

To Nan Shan Life Insurance Company, Limited

Opinion

We have audited the accompanying consolidated balance sheets of Nan Shan Life Insurance Co., Ltd. and its subsidiary (the "Consolidated Company") as at December 31, 2023 and 2022, 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 material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as at December 31, 2023 and 2022, 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 Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Consolidated Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Company's 2023 consolidated financial statements. 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.

Key audit matters for the Consolidated Company's 2023 consolidated financial statements are stated as follows:

Insurance contract liabilities-policy reserves**Description**

For the accounting policy for policy reserves, please refer to Note 4 of the consolidated financial statements; for details on insurance contract liabilities, please refer to Note 6(22) of the consolidated financial statements.

Policy reserves for long-term insurance contracts are provisioned in accordance with related insurance regulations and the insurance product statements of each product; the discount rate is the policy reserve specified interest rate. Nan Shan Life Insurance Co., Ltd.'s policy reserves as at December 31, 2023, accounts for 91% of total liabilities. Considering that the accuracy of policy reserve calculation results is material with respect to the financial statements, we have thus included policy reserves as one of the key audit matters in our audit in 2023.

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 summarised as follows:

1. Obtained an understanding and assessed the related policies, internal controls, and processing procedures for the calculation of Nan Shan Life Insurance Co., Ltd.'s policy reserves.
2. On a sample basis, tested the effectiveness of internal controls for the calculation of policy reserves. This included the following procedures:
 - (1) Examined authorisation documents for the configuration of new products in order to confirm the accuracy of configurations for new products done by the actuarial system.

- (2) Inspected the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of policy reserve calculations.
 - (3) Examined the consistency between policy information and information in the policy system in order to confirm the accuracy of policy information for calculating policy reserves.
3. We used the work of actuarial specialists to assist us in comparing the provision method and assessing the reasonableness of policy reserves at balance sheet date. This included the following procedures:
- (1) On a sample basis, tested representative new products in the current period in order to confirm that Nan Shan Life Insurance Co., Ltd.'s method and results of provisioning reserves were consistent with those of the insurance product statement.
 - (2) Performed trend analysis (excluding new products, universal life insurance, and variable interest annuities) and roll analysis in order to assess the reasonableness of the policy reserves at balance sheet date.

Adequacy of insurance contract liabilities

Description

For the accounting policy regarding the adequacy of insurance contract liabilities, please refer to Note 4 of the consolidated financial statements; for the critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

Nan Shan Life Insurance Co., Ltd.'s insurance contract liabilities as at December 31, 2023, accounts for 92% of total liabilities. In accordance with IFRS 4, 'Insurance Contracts', insurance contracts should be tested for liability adequacy at every balance sheet date in order to reflect Nan Shan Life Insurance Co., Ltd.'s current estimates of future cash flows; of which, various assumptions such as discount rate (i.e. rate of investment return), mortality rate, morbidity rate, lapse rate, and expense rate involve human subjective judgement. Considering that there will be a material impact on the financial statements if insurance liabilities are not adequate, we have thus included the adequacy of insurance liabilities as one of the key audit matters in our audit in 2023.

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 summarised as follows:

We used the work of actuarial specialists to assist us in assessing the reasonableness of elected methods and various assumptions. This included the following procedures:

1. Compared whether there were significant differences between the current period and the previous period for major assumptions other than the discount rate (such as the mortality rate, morbidity rate, lapse rate, and expense rate). If there were significant differences, then related documents and explanations with regard to Nan Shan Life Insurance Co., Ltd.'s actuary assumptions were obtained. Current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumption.
2. Referenced current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts.
3. Confirmed the accuracy of the cash flow model through independent sample testing.
4. Recalculated the current estimates of future cash flows using the overall cash flows and discount rate assumptions provided by Nan Shan Life Insurance Co., Ltd.
5. Compared the carrying amounts of insurance liabilities to the current estimates of future cash flows from insurance contracts.

Accuracy and completeness of the assets and liabilities on insurance products - separate account

Description

For the accounting policy regarding the assets and liabilities on insurance products - separate account, please refer to Note 4 of the consolidated financial statements; for details on assets and liabilities on insurance products - separate account, please refer to Note 6(17) of the consolidated financial statements.

Nan Shan Life Insurance Co. Ltd. sells investment-linked insurance products in accordance with "Insurance Act" and "Regulations Governing Investment of Investment-linked Insurance". Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. In accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Institutions", the assets and liabilities

of the separate account are classified as assets and liabilities on insurance products - separate account. As described in the Note 6(17) of consolidated financial statements, Nan Shan Life Insurance Co. Ltd. has established relevant control mechanisms and continued to improve the investment-linked insurance product information system. Also, investment-linked insurance products involved various transaction types, insurance policies and the transference of data between different systems. Considerable audit resources were needed in order to verify the accuracy and the completeness of data transference between investment-linked insurance product system and the rights of the insured has been adequately reflected in the balance sheets. Thus, we consider the accuracy and completeness of the assets and liabilities on insurance products - separate account as one of the key audit matters in our audit in 2023.

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 summarised as follows:

1. Understood and assessed related policies, internal control system, and processing procedures of investment-linked products of Nan Shan Life Insurance Co. Ltd. and selected samples to check the main transaction cycle and the supporting documents of control mechanism.
2. We verified procedures on the components of assets and liabilities on insurance products - separate accounts, including:
 - (1) Performed confirmation procedures on bank deposits and financial assets at fair value through profit or loss and verified records and relevant reconciliation statements.
 - (2) Obtained valuation report of financial assets at fair value through profit or loss and selected samples to test the accuracy of fair value.
 - (3) Obtained trial balance of other receivables and other payables, checked the nature and classification and selected samples to test relevant supporting documents.
 - (4) For the account value of separate account, we checked the consistency of total value of policies of policy system and selected samples to test the account value, which transactions were purchased but not completed.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Nan Shan Life Insurance Co., Ltd. as at and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of 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 Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company 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 the Consolidated Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the

economic decisions of users taken on the basis of these consolidated financial statements.

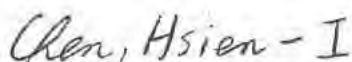
As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

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 Consolidated Company'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 Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Consolidated Company 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company 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 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.

From the matters communicated with those charged with governance, 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 auditors' 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.



Chen, Hsien-I



Shih, Ming-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 7, 2024

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 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.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Cash and cash equivalents	6(1)(9)	\$ 71,836,768	1	\$ 98,163,350	2
Receivables	6(2) and 12(3)	45,444,582	1	56,384,806	1
Current tax assets		4,116,889	-	1,042,474	-
Financial assets at fair value through profit or loss	6(3)(9)	1,008,081,692	19	931,841,974	18
Financial assets at fair value through other comprehensive income	6(4) and 12(3)	269,736,858	5	235,055,420	4
Financial assets at amortised cost	6(5) and 12(3)	3,325,116,318	62	3,311,180,763	63
Investments accounted for using equity method	6(6) and 15(2)	2,816,281	-	5,591	-
Investment property	6(10)	218,889,784	4	198,615,377	4
Loans	6(11) and 12(3)	110,143,889	2	113,923,449	2
Reinsurance contract assets	6(22)	4,012,032	-	4,410,141	-
Property and equipment	6(12)	16,850,912	-	16,809,216	-
Right-of-use assets	6(13)	827,036	-	908,186	-
Intangible assets	6(15)	13,713,264	-	14,521,664	-
Deferred tax assets	6(29)	62,221,574	1	63,128,990	1
Other assets	6(16)	24,426,969	1	36,898,743	1
Assets on insurance products-separate account	6(17)	208,211,792	4	193,020,883	4
TOTAL ASSETS		<u>\$ 5,386,446,640</u>	<u>100</u>	<u>\$ 5,275,911,027</u>	<u>100</u>

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Short-term debts	6(8)(9)(18)	\$ 5,738,950	-	\$ 12,992,000	-
Payables	6(19)	14,256,570	-	25,072,333	1
Current tax liabilities		3,048,691	-	892,165	-
Financial liabilities at fair value through profit or loss	6(3)(9)(20)	5,287,505	-	16,085,125	-
Bonds payable	6(21)	53,500,000	1	42,000,000	1
Insurance contract liabilities	6(22)	4,627,810,413	86	4,585,938,400	87
Reserve for insurance with nature of financial instruments	6(23)	956,348	-	642,763	-
Reserve for foreign exchange valuation	6(24)	8,675,002	-	42,592,110	1
Provisions	6(25)	3,840,130	-	3,315,273	-
Lease liabilities	6(13)	32,921,416	1	19,498,235	-
Deferred tax liabilities	6(29)	29,104,400	1	23,886,131	-
Other liabilities	6(27)	49,217,261	1	28,399,360	1
Liabilities on insurance products-separate account	6(17)	208,211,792	4	193,020,883	4
Total Liabilities		5,042,568,478	94	4,994,334,778	95
Capital					
Common stock		138,219,000	3	138,219,000	2
Capital surplus		9,187,500	-	9,187,500	-
Retained Earnings					
Legal reserve		45,092,928	1	38,585,413	1
Special reserve		210,506,837	4	180,792,687	3
Undistributed earnings		21,130,000	-	35,719,640	1
Other equity interest		(80,258,103)	(2)	(120,927,991)	(2)
Total Equity	6(28)	343,878,162	6	281,576,249	5
TOTAL LIABILITIES AND EQUITY		\$ 5,386,446,640	100	\$ 5,275,911,027	100

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				Changes Percentage
		2023		2022		
		AMOUNT	%	AMOUNT	%	(%)
Operating Revenues						
Premium income from written policy		\$ 263,161,200	56	\$ 282,939,746	59	(7)
Reinsurance premium income		288,779	-	293,935	-	(2)
Premium Income		263,449,979	56	283,233,681	59	(7)
Less : Reinsurance premium ceded		(6,581,703)	(1)	(6,504,266)	(2)	1
Net change in unearned premium reserve	6(22)	(1,320,407)	-	(1,082,191)	-	22
Retention Earned Premium Income	6(31)	255,547,869	55	275,647,224	57	(7)
Reinsurance commission income		2,084,578	1	2,060,868	1	1
Fee income	6(17)	2,125,828	-	2,036,003	-	4
Net Investment Income (Loss)						
Interest income	6(33)	139,153,720	30	127,827,387	27	9
Gain (loss) on financial assets and liabilities at fair value through profit or loss	6(3)	50,947,911	11	(319,735,977)	(67)	(116)
Realised (loss) gain on financial assets at fair value through other comprehensive income	6(4)	(407,851)	-	1,162,220	-	(135)
Gain from derecognition of financial assets at amortised cost	6(5)	506,501	-	1,624,785	-	(69)
Share of gain of associates and joint ventures accounted for using equity method	6(6) and 15(2)	268,093	-	2,215	-	12004
Foreign exchange gain		1,765,362	-	230,985,353	48	(99)
Net change in reserve for foreign exchange valuation	6(24)	33,917,108	7	(35,199,424)	(7)	(196)
Gain on investment property	6(10)	1,755,524	-	2,082,280	-	(16)
Expected credit (loss) reversal on investment	6(34)	(1,361,599)	-	(6,637,129)	(1)	(79)
(Loss) gain on reclassification using overlay approach	6(3)	(44,834,450)	(9)	193,621,762	41	(123)
Subtotal		181,710,319	39	195,733,472	41	(7)
Other operating revenues		242,724	-	146,494	-	66
Revenue on insurance products-separate account	6(17)	25,913,951	5	3,136,553	1	726
Total Operating Revenues		467,625,269	100	478,760,614	100	(2)

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

		Year ended December 31				Changes
		2023		2022		Percentage
Items	Notes	AMOUNT	%	AMOUNT	%	(%)
Operating Costs						
Claims and policy benefits payments		(\$ 344,392,412)	(74)	(\$ 330,553,698)	(69)	4
Less : Claims recovered from reinsurers		3,250,927	1	2,998,741	1	8
Retention Claims and Policy Benefits Payments	6(32)	(341,141,485)	(73)	(327,554,957)	(68)	4
Net change in other insurance contract liabilities	6(22)	(34,952,318)	(8)	(66,905,641)	(14)	(48)
Net change in reserve for insurance with nature of financial instruments	6(23)	(313,845)	-	(134,195)	-	134
Underwriting expenses		(25,270)	-	(14,482)	-	74
Commission expenses		(16,144,374)	(3)	(17,510,903)	(4)	(8)
Other operating costs		(343,034)	-	(552,163)	-	(38)
Finance costs	6(35)	(1,915,674)	-	(1,529,752)	-	25
Expenses on insurance products-separate account	6(17)	(25,913,951)	(6)	(3,136,553)	(1)	726
Total Operating Costs		(420,749,951)	(90)	(417,338,646)	(87)	1
Operating Expenses 6(36)						
General expenses		(10,534,100)	(2)	(10,111,573)	(2)	4
Administrative expenses		(11,984,316)	(3)	(11,422,035)	(3)	5
Employee training expenses		(22,934)	-	(17,294)	-	33
Expected credit (loss) reversal on non-investment	6(34)	(17,496)	-	(5,846)	-	199
Total Operating Expenses		(22,558,846)	(5)	(21,556,748)	(5)	5
Operating Income		24,316,472	5	39,865,220	8	(39)
Non-Operating Income and Expenses		83,832	-	(2,892)	-	(2999)
Profit from Continuing Operations before Income Taxes						
		24,400,304	5	39,862,328	8	(39)
Income Tax Expense	6(29)	(2,290,680)	-	(8,308,691)	(2)	(72)
Net Income		<u>\$ 22,109,624</u>	<u>5</u>	<u>\$ 31,553,637</u>	<u>6</u>	<u>(30)</u>
Other Comprehensive Income						
Components of other comprehensive income that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	6(26)	(\$ 594,934)	-	\$ 1,278,466	-	(147)
Unrealised revaluation increments		80,453	-	-	-	-
Unrealised gain (loss) on equity instruments at fair value through other comprehensive income	6(4)	542,270	-	(692,496)	-	(178)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may not be reclassified to profit or loss	6(6)	(1,000)	-	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	51,156	-	(180,510)	-	(128)
Components of other comprehensive income that will be reclassified to profit or loss						
Exchange differences on translation of foreign financial statements		1,040	-	13,700	-	(92)
Gain (loss) on debt instruments measured at fair value through other comprehensive income	6(4)	1,140,302	-	(110,151,637)	(23)	(101)
Other comprehensive gain (loss) on reclassification using overlay approach	6(3)	44,834,450	9	(193,621,762)	(40)	(123)
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(6)	860	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	(5,862,308)	(1)	48,001,836	10	(112)
Other Comprehensive Income (Loss), Net of Income Tax	6(28)	<u>40,192,289</u>	<u>8</u>	<u>(255,352,403)</u>	<u>(53)</u>	<u>(116)</u>
Total Comprehensive Income (Loss)		<u>\$ 62,301,913</u>	<u>13</u>	<u>(\$ 223,798,766)</u>	<u>(47)</u>	<u>(128)</u>
Earnings per Share						
Basic and Diluted	6(30)	\$ 1.60		\$ 2.28		

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Retained Earnings					Other equity interest				
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach	Total equity	
<u>For the year ended December 31, 2022</u>											
Balance at January 1, 2022	\$ 138,219,000	\$ 9,187,500	\$ 26,593,210	\$ 142,760,508	\$ 59,352,445	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 511,521,015	
Net income for 2022	-	-	-	-	31,553,637	-	-	-	-	31,553,637	
Other comprehensive income (loss) for 2022	-	-	-	-	1,022,772	13,700	(89,776,330)	-	(166,612,545)	(255,352,403)	
Total comprehensive income (loss) for 2022	-	-	-	-	32,576,409	13,700	(89,776,330)	-	(166,612,545)	(223,798,766)	
Distribution of 2021 earnings											
Legal reserve	-	-	11,992,203	-	(11,992,203)	-	-	-	-	-	
Special reserve	-	-	-	41,214,209	(41,214,209)	-	-	-	-	-	
Cash dividends	-	-	-	-	(6,146,000)	-	-	-	-	(6,146,000)	
Disposal of equity instruments at fair value through other comprehensive income	6(4)	-	-	-	(38,832)	-	38,832	-	-	-	
Provision for special reserve for catastrophe reserve and risk claim reserve	-	-	-	2,340,472	(2,340,472)	-	-	-	-	-	
Recovery of special reserve for catastrophe reserve and risk claim reserve	-	-	-	(5,643,548)	5,643,548	-	-	-	-	-	
Dividend offset reserve reclassified into special reserve	-	-	-	105,765	(105,765)	-	-	-	-	-	
Provision for special reserve for travel insurance	-	-	-	15,281	(15,281)	-	-	-	-	-	
Balance at December 31, 2022	6(28)	\$ 138,219,000	\$ 9,187,500	\$ 38,585,413	\$ 180,792,687	\$ 35,719,640	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	\$ 281,576,249

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent										
Retained Earnings						Other equity interest				
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach	Total equity
For the year ended December 31, 2023										
Balance at January 1, 2023	\$ 138,219,000	\$ 9,187,500	\$ 38,585,413	\$ 180,792,687	\$ 35,719,640	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	\$ 281,576,249
Net income for 2023	-	-	-	-	22,109,624	-	-	-	-	22,109,624
Other comprehensive income (loss) for 2023	-	-	-	-	(477,419)	1,900	1,359,741	74,810	39,233,257	40,192,289
Total comprehensive income	-	-	-	-	21,632,205	1,900	1,359,741	74,810	39,233,257	62,301,913
Distribution of 2022 earnings										
Legal reserve	-	-	6,507,515	-	(6,507,515)	-	-	-	-	-
Special reserve	-	-	-	29,212,125	(29,212,125)	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	6(4)	-	-	-	(180)	-	180	-	-	-
Provision for special reserve for catastrophe reserve and risk claim reserve	-	-	-	2,507,330	(2,507,330)	-	-	-	-	-
Recovery of special reserve for catastrophe reserve and risk claim reserve	-	-	-	(2,134,360)	2,134,360	-	-	-	-	-
Dividend offset reserve reclassified into special reserve	-	-	-	111,669	(111,669)	-	-	-	-	-
Provision for special reserve for travel insurance	-	-	-	17,386	(17,386)	-	-	-	-	-
Balance at December 31, 2023	6(28)	\$ 138,219,000	\$ 9,187,500	\$ 45,092,928	\$ 210,506,837	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	\$ 343,878,162

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Year ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 24,400,304	\$ 39,862,328
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit loss (reversal) on investments	1,361,599	6,637,129
Expected credit loss (reversal) on non-investments	17,496	5,846
Loss (gain) on reclassification using overlay approach	44,834,450	(193,621,762)
Interest income	(139,153,720)	(127,827,387)
Dividend income	(31,588,710)	(32,859,195)
Finance costs	1,915,674	1,529,752
Depreciation and amortisation	2,292,471	2,096,998
(Gain) loss on financial assets and financial liabilities at fair value through profit or loss	(68,329,804)	191,925,952
Unrealised foreign exchange gain	(1,528,481)	(238,309,897)
Net change in insurance contract liabilities	36,272,725	67,987,832
Net change in reserve for insurance with nature of financial instruments	313,845	134,195
Net change in reserve for foreign exchange valuation	(33,917,108)	35,199,424
Fair value adjustment of investment property	1,384,956	1,112,872
Share of gain of associates and joint ventures accounted for using equity method	(268,093)	(2,215)
Others	3,917,916	4,369,185
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease in receivables	11,070,437	7,491,013
(Increase) decrease in financial assets or liabilities at fair value through profit or loss	(18,656,081)	34,217,937
(Increase) decrease in financial assets at fair value through other comprehensive income	(17,626,169)	1,179,048
Decrease (increase) in financial assets at amortised cost	8,570,238	(17,460,543)
Increase in reinsurance contract assets	(18,523)	(363,001)
Increase in other assets	(550,515)	(7,344,628)
Changes in operating liabilities		
(Decrease) increase in short term debt	(7,133,734)	12,992,000
(Decrease) increase in payables	(8,222,568)	8,988,461
Decrease in provisions	(70,077)	(29,680)
Increase (decrease) in other liabilities	20,986,611	(1,071,208)
Cash outflow generated from operations	(169,724,861)	(203,159,544)
Interest received	111,087,670	103,610,706
Dividend received	31,665,378	32,621,536
Interest paid	(2,163,380)	(1,803,469)
Income tax refunded	256,213	1,000,772
Income tax paid	(2,806,982)	(7,420,044)
Net cash flows used in operating activities	(31,685,962)	(75,150,043)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in loans	3,510,041	3,941,907
Acquisition of investment property	(1,565,204)	(3,088,890)
Proceeds from disposal of investment property	-	42,580
Acquisition of property and equipment	(795,381)	(1,307,619)
Proceeds from disposal of property and equipment	47,910	-
Increase in intangible assets	(538,129)	(532,947)
Acquisition of investments accounted for using equity method	(2,763,845)	-
Net cash flows used in investing activities	(2,104,608)	(944,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bonds	11,500,000	-
Repayment of principal portion of lease liabilities	(3,953,902)	(669,354)
Dividend paid	-	(6,146,000)
Net cash flows from (used in) financing activities	7,546,098	(6,815,354)
Effects of exchange rate changes on cash and cash equivalents	(82,110)	3,506,986
Net decrease in cash and cash equivalents	(26,326,582)	(79,403,380)
Cash and cash equivalents at beginning of year	98,163,350	177,566,730
Cash and cash equivalents at end of year	\$ 71,836,768	\$ 98,163,350

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise stated)

1. HISTORY AND BUSINESS ACTIVITY

Nan Shan Life Insurance Company, Limited (the “Company”) was incorporated in July 1963. The Company engages in the business of life, health, personal accident and annuity insurance. Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”), the Company’s ultimate parent company, holds 89.55% equity interest in the Company. On September 5, 2011, Ruen Chen transferred 7,678,931,390 shares to the trust account with First Bank, to demonstrate its determination to invest in the Company for long-term purpose and fulfill its commitments to the relevant government authorities. The aforementioned shares have been returned to Ruen Chen on September 16, 2021 due to the expiration of the trust account. The Company was qualified as a public company on July 16, 2012 with the approval of Jin-Guan-Zheng-Fa Letter No. 1010030238 of the Financial Supervisory Commission. The Company obtained the establishment license and business license of its offshore insurance branch which commenced its operations on October 21, 2015.

The Company has been permitted to acquire 100% shares of AIG Taiwan Insurance Co., Ltd. (“AIG Taiwan”) with Jin-Guan-Bao-Chan Letter No.10502524122 of FSC dated July 18, 2016 and the equity transfer became effective on September 1, 2016. AIG Taiwan then became a subsidiary of the Company. On the same day, it was renamed Nan Shan General Insurance Co., Ltd. (the “Subsidiary”), which is primarily engaging in property insurance for individuals and medium and small businesses.

The Company has tendered for the transfer of assets, liabilities and business by Chaoyang Life Insurance Co. Ltd (“Chaoyang”), which is led by Taiwan Insurance Guaranty Fund; and the assignment and assumption agreement is made and entered into as of January 18, 2017. The transfer became effective on May 2, 2017, therefore, the Company assumed all assets, liabilities and business except for those reserved for Chaoyang.

For the years ended December 31, 2023 and 2022, the Company’s consolidated financial statements disclosed information about the Company and the Subsidiary (the “Consolidated Company”). Please refer to Note 4(3) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 7, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that come into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Consolidated Company

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies

to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, assets and liabilities on consolidated financial statements that are not classified as current or non-current accounts shall be classified by their nature and comparative liquidity. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Consolidated Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) At fair value

- I. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss;
- II. Financial assets at fair value through other comprehensive income; and

- III. Investment property (excluding participating policy liability-linked investment property and constructions in progress).
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- (c) Reinsurance reserve assets, insurance contract liabilities, and reserve for foreign exchange valuation actuarially recognised in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and relevant regulations.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries are all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Consolidated Company.
- B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2023	December 31, 2022
The Company	Nan Shan General Insurance Company, Ltd.	Property insurance	100	100

(4) Foreign currency translations

Items included in the financial statements of the Consolidated Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (TWD), which is the Company's functional currency and the Consolidated Company's presentation currency.

- A. Foreign currency transactions and balances
 - (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the current period.
 - (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising upon re-translation at the end of the reporting period are recognised in profit or loss in the current period.
 - (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the

reporting period; their translation differences are recognised in profit or loss in the current period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the reporting period; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) Foreign exchange gains and losses for monetary investment principal, interest-earned and insurance contract liabilities denominated in foreign currencies are recognised in net income or loss from investments. Other foreign exchange gains and losses that do not arise from investing activities are recognised in other operating revenues or other operating costs.

B. Translation of foreign operations

The operating results and financial position of all the Consolidated Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of trade date; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets and liabilities

On a regular way purchase or sale basis, financial assets are recognised and derecognised using trade date accounting. The classifications of financial assets and liabilities are summarised as follows:

A. Financial assets at fair value through profit or loss

- (a) Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- (b) At initial recognition, the Consolidated Company measures the financial assets or liabilities at fair value plus transaction costs that can be directly attributed to the financial assets or liabilities, or recognised the transaction costs in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- (c) Gain or loss on financial assets or liabilities at fair value through profit or loss recognised in the consolidated statement of comprehensive income include gain or loss arising from transactions, dividend income, interest income, and gain or loss on valuation of financial assets and liabilities at fair value at the end of the reporting period.
- (d) Financial assets that meet one of the following criteria are designated using overlay approach:

- I. It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - II. It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
- (e) The Consolidated Company can, if needed, use overlay approach on the designated financial assets. Overlay approach is an accounting treatment to reclassify an amount between profit or loss or other comprehensive income, and the profit or loss arising from designated financial assets at the financial period-end is in line with the profit or loss arising from designated financial assets under IAS 39. Therefore, reclassification mainly arose from the differences from following items:
 - I. The amount reported in profit or loss for the designated financial assets applying IFRS 9; and
 - II. The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.
- B. Financial liabilities at fair value through profit or loss
 - (a) Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
 - (b) At initial recognition, the Consolidated Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- C. Financial assets at fair value through other comprehensive income
 - (a) Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Consolidated Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - II. The assets' contractual cash flows represent solely payments of principal and interest.
 - (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. The Consolidated Company subsequently measures the financial assets at fair value:
 - I. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Consolidated Company and the amount of the dividend can be measured reliably.
 - II. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- D. Financial assets at amortised cost
 - (a) Financial assets at amortised cost are those that meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved by

- collecting contractual cash flows; and
- II. The assets' contractual cash flows represent solely payments of principal and interest.
- (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such asset is recognised in profit or loss.
- E. Loans and receivables
 - (a) Receivables

Receivables are receivables originated by the entity. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term receivables without bearing interest are subsequently measured at initial amount as the effect of discounting is immaterial.
 - (b) Loans

Loans include secured loans, life insurance policy loans and automatic policy loans, among which, secured loans are loans collateralised by real estate. Life insurance policy loans are loans made to the policyholders with their insurance policies as collaterals in accordance with the Consolidated Company's insurance contract terms. Automatic policy loans refer to the Consolidated Company can use the policy value reserve (net of loan principal and interest if having life insurance policy loans) at the time the policyholders file the application to settle the unpaid premium and interest on behalf of the policyholders in accordance with the insurance contract terms. Loans are subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- F. Other financial assets

Other financial assets are not attributable to any category described above and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- G. Bonds payable

Ordinary corporate bonds issued by the Consolidated Company are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- H. Derecognition of financial assets

The Consolidated Company derecognises a financial asset when one of the following conditions is met:

 - (a) The contractual rights to receive the cash flows from the financial asset expire.
 - (b) The contractual rights to receive cash flows of the financial asset have been transferred and the Consolidated Company has transferred substantially all the risks and rewards of ownership of the financial asset.
 - (c) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Consolidated Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has not retained control of the financial asset.
- I. Derecognition of financial liabilities

A financial liability is derecognised, when the obligation under the liability specified in the contract is discharged, cancelled or expires.

J. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

K. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost, at each balance sheet date, the Consolidated Company recognises the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate if the financial assets have been impaired at the balance sheet date.

L. Reclassification of financial assets

According to IFRS 9, when, and only when, the Consolidated Company changes its business model for managing financial assets, it shall reclassify all affected financial assets. If the Consolidated Company reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss.

(7) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related to the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(8) Bonds sold under repurchase agreements

Bonds sold under repurchase agreements are initially recorded at cost and are presented within 'short-term debts' based on the nature of the financing transactions. During the period of selling and designated repurchase date, interest expenses are recognised on an accrual basis.

(9) Allowance for loss/bad debts

Allowance for loss/bad debts on financial assets of debt instrument at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost and reinsurance contract assets should be assessed and recognised in accordance with IFRS 9, IFRS 4 and FSC's "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(10) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Consolidated Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Consolidated Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Consolidated Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Consolidated Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

(11) Investment property

- A. The investment properties of the Consolidated Company (including constructions in progress) are land and buildings with operating lease, held to earn rentals or for capital appreciation or both. An investment property is stated initially at its cost including the direct cost attributable to the acquisition of the asset and measured subsequently using the fair value model. The participating policy liability-linked investment properties (returns paid by the liabilities are directly linked to the returns from the investment properties) are measured subsequently using the cost model.
- B. Investment property that subsequently applies cost model is measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of investment property with cost model that is significant in relation to the total cost of the item must be depreciated separately. For investment property that subsequently applies fair value model, gains or losses arising from changes in fair value are recognised in profit or loss in the period incurred. The Consolidated Company should set aside special reserve from net cumulative incremental gains arising from changes in fair value in subsequent periods after approval by the stockholders. Please refer to Note 6(28).
- C. Part of the property may be held by the Consolidated Company for self-use purpose and the remaining are used to generate rental income or for capital appreciation. If the property held by the Consolidated Company can be sold individually, then the accounting treatment should be made respectively. IAS 16 applies to the self-use property, and property used to generate rental income or for capital appreciation or both is applicable for investment property set out in IAS 40. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.
- D. The subsequent costs of major improvements, acquisitions and renovations are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- E. When the investment property is reclassified as property and equipment after a change in use, the carrying amount or fair value at the time of change is used as deemed cost. An investment property is derecognised when it is disposed or no longer used and there is no future economic benefits arising from the disposition thereof. When an investment property is derecognised, any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The gain or loss on disposal of investment property, the rental income and the relevant expense are recognised as “Gain/loss on investment property” under the Consolidated Company’s operating nature.
- F. Investment property that subsequently applies cost model, including buildings and significant objects (elevators, air-conditioning equipment, and improvements) with the exception of land, are depreciated on a straight-line basis over their estimated useful life of 27-43 years and 3-43 years, respectively.
- G. If the Consolidated Company determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). If the Consolidated Company determines that the fair value of an investment property under construction is still not reliably measurable after completion, the Consolidated Company shall measure that investment property using the cost model under IAS 16. The residual value of the investment property shall be assumed to be zero until disposal of the investment property.
- H. The assets’ residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change.
- I. By applying IFRS 16 “Lease”, the right of superficies contracts, which the Consolidated Company entered into, pertains to an operating lease. The recognition of right-of-use assets adopts fair value of investment property model in IAS 40.

(12) Property and equipment

- A. The cost of property and equipment includes its purchase price, any cost directly attributable to the asset, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- B. The subsequent costs of major improvements, acquisitions and renovations are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. When the purpose of holding the real estate has changed from for own use to for investment carried at fair value, any difference between the carrying amount of the property and its fair value shall be processed with revaluation in accordance with IAS 16. If there is any decrease in the carrying amount of the property, the decrease is recognised in profit or loss. If there is any increase in the carrying amount, recognised impairment loss shall be reversed with the

remaining part of the increase recognised in other comprehensive income. Revaluation increments within other equity shall be increased simultaneously and the real estate should be reclassified as investment property based on its fair value at the date of the change.

- D. Land is not depreciated and leasehold improvements are depreciated on a straight-line basis with the shorter of the lease period or the estimated useful life. Other assets are depreciated on a straight-line basis over their estimated useful life. The estimated useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Buildings and constructions	
Buildings and constructions	32 to 60 years
Elevators, air-conditioning equipment and improvements	3 to 35 years
Computer equipment	3 to 20 years
Transportation equipment	7 to 15 years
Other equipment	1 to 20 years
Leasehold improvements	2 to 7 years

- E. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have significantly changed, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(13) Leasing arrangements (lessor) – operating leases

The Consolidated Company's lease contracts are all operating leases, where substantially all risks and rewards of ownership of the assets remain with the lessor. Assets involved in operating lease are recognised under 'investment property'. Direct costs attributable to operating lease negotiations should be added to the carrying amount of lease assets. Related lease revenues are recognised under 'gain on investment property'. Rental income from operating lease include rental rewards and confirmed long-term future rent adjustment, which are recognised as gain and loss on a straight-line basis over the lease terms.

(14) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Consolidated Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Consolidated Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-

of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between original and remeasured lease liability in profit or loss.

(15) Intangible assets

A. Computer software

The computer software is measured at cost less cumulative amortisation and accumulated impairment. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated economic useful lives. The computer software has a useful life of 1 to 20 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Licences

Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences are intangible assets with useful life, and are amortised over 10~12 years based on the estimated benefits derived from each period.

(16) Impairment of non-financial assets

- A. The Consolidated Company assesses at each end of reporting period the recoverable amounts of those assets with an indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised cost would have been if the impairment had not been recognised. Impairment loss recognised and reversed is classified under non-operating income and expenses.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

(17) Salvages assumed and rights of claim by subrogation

Under direct underwriting business, salvages, which are acquired according to law from claims settlement process, should be assessed and recognised its fair value. Rights to subject matter insured or rights to claim indemnification against claims settlement cost should be recognised when the retrieve is ascertained and the amount can be reliably measured.

(18) Classification and measurement of insurance products

A. Classification

- (a) Insurance products are classified according to the requirements in IFRS 4. The Consolidated Company should identify whether its underwritten insurance policies assume insurance risk and other risks components, and judge whether contract components can be separated and individually calculated. The results of such judgements will affect the classifications of insurance contracts. In addition, the Consolidated Company should also make critical judgements on whether its underwritten insurance policies have transferred insurance risks, whether there is commercial substance for the transferred insurance risks and whether transferred insurance risks are material, as well as conduct transfer testing on significant insurance risks. The results of such judgements will impact the classifications of insurance contracts.
- (b) Insurance contract refers to a contract under which the Consolidated Company accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a specified uncertain future insured event adversely affects the policyholder, including reinsurance contracts with significant risk transferred. Non-insurance contracts (also called investment contracts) are insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred insurance risks employed by the Consolidated Company here refers to any event or incident occurring that leads to the Consolidated Company's additional significant payment.
- (c) Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been reduced significantly during coverage period.
- (d) Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefit rather than guaranteed benefits, and this kind of right with the following criteria at the same time:
 - I. Additional benefits that are likely to be a significant portion of the total contractual benefits;
 - II. The amount or timing of additional benefits is contractually at the discretion of the Consolidated Company;
 - III. Additional benefits are contractually based on:
 - (i) The performance of a specified pool of contracts or a specified type of contract; or
 - (ii) The investment return on a specified pool of assets held by the Consolidated Company; or
 - (iii) The profit or loss of the Consolidated Company, funds, or other entity that issues the contract.

(e) Embedded derivatives

For an embedded derivative that meet the definition of an insurance contract, the Consolidated Company does not need to separate the embedded derivative from the host insurance contract; therefore, the entire contract is an insurance contract. For an embedded derivative that does not meet the definition of an insurance contract, the embedded derivative and the insurance contract are recognised separately. The Consolidated Company does not measure the embedded derivatives that meet the definition of insurance contracts, which are closely related to the host insurance contracts. In addition, for policyholder options to surrender a contract for a fixed amount (or an amount based on a fixed amount and a specific interest rate), the Consolidated Company does not need to separate the option from the insurance contract in accordance with IFRS 4.

B. Measurement

(a) Insurance contracts and investment contracts with discretionary participation features

The Consolidated Company's life insurance business recognises revenue and commission expense when receiving the initial premium and underwriting the policy, and when receiving renewal premium. The Consolidated Company's property insurance business considers direct-writing premium revenue to include all premium from underwritten policies and premiums from approved policy revisions during the period covered by the financial report. Reinsurance revenue of assumed reinsurance business was recorded based on the date of receiving bill, reinsurance revenue in transit was estimated by reasonable and systematic method for the financial year ended. The corresponding costs are recognised when incurred, such as commission expense, agent expense and fees. The insurance claim is recognised at actual amount and claim expense for those determined cases during the current period.

(b) Non-insurance contracts (investment contracts)

For an insurance contract classified as an investment contract due to its lack of significant transferred insurance risks, except for 'financial instruments with discretionary participation features (investment contracts)', IFRS 9 should be applied to investment contracts when there are financial assets or financial liabilities arising from investment contracts. The consideration received or paid shall be accounted for using deposit accounting in practice and recognised as financial assets or financial liabilities instead of revenues or expenses. When there is no financial asset or financial liability arising from investment contracts, IFRS 15, 'Revenue from contracts with customers' shall be applied to investment contracts.

(c) Reinsurance contracts

- I. All of reinsurance cessions, premium, commission, claim recovery, payable or receivable are calculated in a manner consistent with the reinsurance contracts.
- II. The Consolidated Company regularly assesses the net interest of reinsurance. When there is objective evidence indicating an event occurred after initial recognition for reinsurance leads to improbability to recover the amount receivable under the terms of contract and the effect on recoverable amount caused by such event can be measured reliably, the Consolidated Company recognises an impairment loss (or allowance for uncollectible accounts) to the extent that the recoverable amount is lower than the carrying amount of abovementioned interest and lists it under selling expense.

- III. The premium expense and commission revenue arising from the reinsurance business and accounts payable for reinsurance are recognised simultaneously with the gain or loss generated by the related insurance contract. Since the net interest arising from the reinsurance contract involves reinsurance reserve assets, amortised claims and payments, and net accounts receivable, they are recognised in the same manner with the reinsurance contract and related reinsurance contract liabilities. The gain or loss on the assets or liabilities of the reinsurance contract is not offset by the loss or profit on the related insurance contract liabilities and related insurance contract.
- IV. The Consolidated Company assesses whether the reinsurance contract should be transferred to the reinsurers where there is significant insurance risk depending on the type of reinsurance contract. In case the reinsurance contract does not transfer significant insurance risk, the contract is recognised and measured with savings accounting because the price earned and paid according to the reinsurance contract is financial liabilities or financial assets, instead of profit or loss.

(19) Provision basis for insurance contract liabilities

A. Life insurance

All reserves of insurance contracts (including investment contracts with discretionary participation features) recognised are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and regulations relevant to insurance enterprises. Except for reserve for policy benefits, claims reserve and premium deficiency reserve with coverage period of more than one year, discount method does not apply to the rest. Explanations of provision basis regarding each reserve are as follows:

(a) Unearned premium reserve

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

(b) Claims reserve

Claims reserve for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance. Claim reserves for the future payment on a regular basis are calculated by discount method. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for recordation.

(c) Reserve for policy benefit

Long-term insurance contracts are recognised and calculated based on the related regulation and calculation manual recorded by the authorities. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

(d) Special reserve

I. In particular for retention policies with a coverage of less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”, which are provided in accordance with No. 19 and No. 20 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. Except for some reserve set aside for

regulatory purpose, special reserve, after deducting income tax, shall be recognised as special reserve under equity. Additional provision for special reserve and amounts written-off or recovered with respect to special reserve shall be recognised and written-off or recovered from the special reserve under equity.

The release of risk claim reserve, net of tax, is to be appropriated as a special reserve under equity following the resolution adopted at the shareholders' meeting in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without the approval of the Authority.

II. As regulations of the Authority require that if fair value of investment property at the transition date is used as deemed cost, special reserve under insurance liability shall be fully set aside for the appreciation from investment property in excess of other adverse effects arising from the first-time adoption of IFRSs at the transition date. Additionally, according to Jin-Guan-Pao-Tzai Letter No. 10102515281 dated November 30, 2012, upon calculation of liability reserve needed to be strengthened in accordance with fair value standard of effective contract as stipulated in Jin-Guan-Pao-Tzai Letter No. 10102515285 dated November 27, 2012, life insurance enterprises are allowed to reclassify such amount from aforesaid special reserve to 'Reserve for policy benefits-fair value of insurance contract liabilities' from January 1, 2013. After the reclassification, 80% of the remainder, if any, shall be recovered in the first year or in five years and set aside as special reserve under equity upon approval of the competent authority.

III. Profit and loss before tax (before dividends distribution) for participating life insurance should be assessed at each annual closing date in compliance with "The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance". "Special reserve – dividend payment reserve" should be recognised and written off at dividend declaration date. With negative balance of "special reserve – dividend payment reserve of participating insurance", equal amount of "special reserve – dividend liability" should be recognised at the same time.

(e) Premium deficiency reserve

If the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period of over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

In addition, potential claims and expenses are estimated for effective contracts yet to mature and casualty insurance contracts with a coverage period of over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

B. Property insurance

The reserves is provided in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance", "Regulations Governing the Setting Aside of Liability Reserve Provision of Nuclear Energy Insurance" "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Notes for Strengthening Reserve of Pool Members Residential Earthquake", "Regulations Governing the Setting Aside of Liability Reserves of

Commercial Earthquake Insurance and Typhoon and Flood Insurance”, “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises” and with actuarial reports approved by former Financial Supervisory Commission, Executive Yuan, R.O.C. Except for special reserve, the provision of reserve was applicable to assumed reinsurance and ceded reinsurance business. The basis for provisioning each insurance liability is as follows:

(a) Unearned premium reserve

During the term of policy, the unearned premium shall be calculated based on unexpired risks of effective and unexpired contracts or covered risks; unearned premium reserve is provided based on the type of insurance, and the provision method is determined by actuaries based on the characteristics of various types of insurance. The reserve for long-term residential fire insurance, long-term commercial fire insurance, financial institution small loan credit insurance, long-term engineering insurance, group injury insurance, performance bond for travel agencies and liability insurance for travel agencies are calculated based on the provision default on product calculation manual or based on other methods by law.

Provided unearned premium reserve is recovered in the next year and provided again based on the actual settlement data.

Unearned premium reserve of compulsory automobile liability insurance is provided as net premium in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”. Residence earthquake insurance is provided as coinsurance ceded net premium in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

(b) Claims reserve

Except for government policy-oriented insurance, which include compulsory automobile liability insurances, basic residential earthquake insurances and nuclear energy insurance, claims reserve is calculated for each line of insurance based on past claim experiences and expenses and reserved as either Report But Not Paid or Incurred But Not Reported. Reserves for Reported But Not Paid insurance claims shall be estimated and reserved on a case-by-case basis based on relevant information. This reserve will be recovered in the next year.

Reserves for government policy-oriented insurance are set aside in accordance with regulations. Compulsory automobile liability insurances sets aside a claims reserve using the loss development triangle method in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”; of that amount, a portion is set aside as claims reserve for Incurred But Not Reported claims for reinsurance assumed at a fixed percentage on pure premium earned from reinsurance assumed. Basic residential earthquake insurances set aside a claims reserve according to the figures provided by Taiwan Residential Earthquake Insurance Fund (TREIF) in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”. Nuclear energy insurance set aside reserves in line with regulation based on retention earned premiums.

(c) Special reserve

Special reserves for retained business include “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, Nuclear energy insurance residential earthquake insurance and commercial earthquake and typhoon and

flood insurance which are covered by other regulations requiring reserves for them to be recognised under liability, the additional provision for special reserve less income tax should be recognised as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

In accordance with the “Notes of strengthening Catastrophic Reserve of Property Insurance Enterprises” as the balance of reclaim for catastrophe special reserves of typhoon and flood insurance in the current year was more than the one of catastrophe special reserves of other insurance products prior to the enforcement of the guidance, the difference shall be transferred to special reserve in equity, net of income tax. Upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount from special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulation Governing the setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”.

(d) Premium deficiency reserve

Insufficient premium reserve is the estimated possible claim and expense from unexpired contracts or covered risks during the term of policy. When the estimated amount exceeds provided unearned premium reserve and estimated premium income, the difference shall be provided as insufficient premium reserve based on insurance types.

(e) Unqualified reinsurance reserve

Unqualified reinsurance reserve at ceding date or at balance sheet date for inward and outward reinsurance or other risk-diversifying mechanism shall be provided and disclosed in financial statements. Unqualified reinsurance reserve is disclosed in Note 14(6).

For the above-mentioned reserves, other than the unearned premium reserve of long-term fire insurances which is calculated by electing a 7.8% interest rate from the Table of Unearned Premium Reserve of Long-Term Fire Insurance and the “TWD risk-free rate designated by the Competent Authority”, promulgated by the Taiwan Insurance Institute, used in determining the present value of future cash flows for calculating the adequacy of liability reserve, reserves are not calculated by electing the discount method.

(20) Liability adequacy test

The Consolidated Company adopts gross premium valuation method for the liability adequacy test based on the entire contracts of the Consolidated Company, in accordance with “Actuarial Practice Guidelines” issued by the Actuarial Institute of The Republic of China. At each end of the reporting period, the test is performed by comparing the net carrying amount of insurance contract liabilities after deduction of deferred acquisition costs and related intangible assets with the present estimates of insurance contract future cash flows. If the net carrying amount is insufficient, the deficiency is charged to current expense or loss.

(21) Reserve for insurance with nature of financial instruments

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and related interpretations, the Consolidated Company sets aside reserve for financial instruments without discretionary participation features.

(22) Reserve for foreign exchange valuation

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company sets aside reserve for foreign exchange

valuation under liabilities with regard to the foreign investment assets held starting from 2012. Treatments for accumulation limit of related reserves and method for recognition or writing-off shall be in compliance with “Guidelines for Foreign Exchange Reserve by Life Insurance Enterprises”.

(23) Provisions

Provisions are recognised when the Consolidated Company has the following circumstances:

- A. An entity has a present obligation (legal or constructive) as a result of past events;
- B. It is probable that an outflow of economic resources will be required to settle the obligation; and
- C. A reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Please refer to Note 4(24) for the employee benefits.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Consolidated Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the end of the reporting period) of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise. In addition, actuarial gains and losses should be immediately recognised in retained earnings and should not be reclassified as profit or loss in the subsequent periods.

III. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Consolidated Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The

Consolidated Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation

Employees' compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Consolidated Company calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(25) Insurance products - separate account

- A. The Consolidated Company sells investment-linked insurance products in accordance with the Insurance Act and "Regulations Governing Investment-Linked Insurance". Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. This separate account is segregated from other assets of the Consolidated Company and managed independently by the Consolidated Company.
- B. In accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Institutions", the assets and liabilities of the separate account whether generated by the insurance contracts or investment contracts are classified as assets and liabilities on insurance products - separate account; revenues and expenses of the insurance contracts with IFRS 4 are classified as revenues and expenses on insurance product - separate account, respectively.
- C. The value of financial assets of the separate account is measured at fair value at balance sheet date.
- D. The sales commission and fee income including sale charge, policy and investment related charges received from the investment from the investment-linked life insurance products are recognised as handling fee revenue. Service income derived from relevant expenses from policy holders, which belong to investment contracts and are classified as non-discretionary participation feature products, are the consideration of services provided by the Consolidated Company during the specified period. If the service is not rendered during the period the premium is received, then the service income shall be recognised as "deferred handling fee income" and amortised using the straight-line method over the period the service is provided. Relevant additional costs, such as commission expenses and sales compensation, shall also be recognised as "deferred acquisition cost" and are amortised using the straight-line method to "other operating costs" based on the matching principle.

(26) Revenue recognition

- A. Service fee income is recognised during the service provided on the accrual basis.
- B. Interest income from debt instrument is recognised as incurred using effective interest rate method on the accrual basis. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset. After recognising the impairment loss on the financial assets measured at amortised cost using the effective interest rate method, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the

impairment loss.

- C. Dividend income is recognised when the right to receive dividends is assured.
- D. Recognition of income from operating lease is provided in the accounting policy for lease in Note 4(13).
- E. Recognition of revenue on insurance contracts and financial instruments with discretionary participation features is provided in the accounting policy for classification and measurement of insurance products in Note 4(18).

(27) Coinsurance organisation and coinsurance

- A. The Consolidated Company's property insurance business which have obtained the approval of competent authorities entered into a Compulsory Automobile Liability Coinsurance contract, regulating that covered compulsory automobile liability insurance shall be included as coinsurance; those who violate the agreement shall be investigated by agents sent by the coinsurance team.
- B. Coinsurance businesses are calculated based on the net premium and distributed proportionately based on the contract. Member companies that participate in the coinsurance shall not withdraw unless they are cleared or terminated. When automobile liability insurance business is terminated, the Consolidated Company withdraws from the coinsurance at the same time; natural expiring method is adopted for the unearned liabilities.
- C. In accordance with "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance," the Consolidated Company's property insurance business maintains separate accounts for compulsory automobile liability and adopts accounting treatments based on the related regulations.
- D. The Consolidated Company's property insurance business entered into Residential Earthquake Coinsurance Contracts with non-life insurance enterprises that underwrite residential fire insurance and reinsured total assumed risks of residential earthquake insurance with earthquake insurance funds in accordance with regulations. Members of the residential earthquake insurance pool should lodge and handle the unearned premium reserves, claim reserves and special reserves in accordance with "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance". The accounting treatment shall be based on "Accounting Treatment Principles for the non-life Insurers Conducting Residential Earthquake Insurance Business". Other than the abovementioned compulsory automobile liability insurance and residential fire insurance, the Consolidated Company set aside various reserves in accordance with "Rules for the Preparation of Financial Reports by Insurance Institutions" and recognise profits and losses for the share of the risks assumed by each coinsurance contract.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Consolidated Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings

and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At the end of each reporting period, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Consolidated Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(29) Dividends

Dividends are recorded in the Consolidated Company's financial statements in the period in which they are approved by the Consolidated Company's shareholders and the regulatory authority. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Earnings per share

The calculation of earnings per share is based on the weighted average number of ordinary shares outstanding during the period. The calculation of basic earnings per share shall be adjusted retrospectively on the effective date of distribution of stock dividends when the number of ordinary or potential ordinary shares outstanding increases as a result of retained earnings, capital surplus, or employees' bonus.

(31) Employee share-based payment

For the share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as salaries over the vesting period, with a corresponding adjustment to equity.

(32) Business combinations

- A. The Consolidated Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

- B. The excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the consideration transferred is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(33) Information on operating segments

Information on operating segments of the Consolidated Company is reported in a manner consistent with the internal management report provided to the Chief Operating Decision-Maker (CODM). All transactions occur between segments are considered as regular transactions, and the derived profit or loss has been derecognised at the Consolidated Company's level. It also has been taken into account where the profit or loss is directly attributable to the segment individually.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Consolidated Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Insurance contract liabilities

The Consolidated Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". The assumptions of mortality rate, morbidity rate, lapse rate, and discount rate are as follows: The mortality rate and discount rate are treated in accordance with relevant insurance regulations. The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations for recordation by the competent authority. The morbidity rate and lapse rate are based on the Consolidated Company's past experience, industry experience, and experience obtained from reinsurers. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy test is conducted by discounting the future cash flows under the best estimate on valuation date by the Consolidated Company's overall return on investment. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

(2) Fair value measurement of investment property

The fair value of investment property is determined by using valuation techniques, including income approach, comparison approach and cost approach. Changes in assumptions of these models will affect the fair value of investment property reported, please refer to Note 6(10).

(3) Expected credit loss

Expected credit loss on debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, and receivables under amortised cost is measured using complex models and various assumptions. These models and assumptions are

subject to future macroeconomic conditions and credit risk of counterparties (e.g. probability and loss of default of counterparties). According to accounting standards, measurement of expected credit loss involves several critical judgements, such as:

- A. Principles that used to identify whether there is a significant increase in credit risk.
- B. Determination of the appropriate models and assumptions that used to measure expected credit loss.
- C. Determination of necessary forecasting factors that used in the measurement of expected credit loss for different financial assets.

Information, judgements and estimations mentioned above relating to expected credit loss are provided in Note 12(3).

(4) Fair value measurement of financial instrument

Except for the financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.

For details on main method and assumption used to measure the fair value of financial instruments, please refer to Note 11(2)B(a).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash		
Cash on hand and petty cash	\$ 13,792	\$ 15,179
Checking and savings accounts	45,882,212	84,893,096
Cash equivalents		
Time deposits	25,630,757	13,015,075
Short-term bills	310,007	240,000
	<u>\$ 71,836,768</u>	<u>\$ 98,163,350</u>

- A. As of December 31, 2023 and 2022, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the cash and cash equivalents held by the Consolidated Company are \$71,836,768 and \$98,163,350, respectively.
- B. The Consolidated Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. In addition, of the short-term bills held by the Consolidated Company, investments in notes issued under reverse repurchase agreements have obtained bonds as collateral. Information on the net amount of receiving financial collateral after offsetting is provided in Note 6(9).
- C. Certain cash and cash equivalents are pledged as credit support collaterals for derivative instruments transactions, which are restricted and classified as guarantee deposits paid. For more information, please refer to Note 6(16).
- D. The Consolidated Company's property insurance business' time deposits which are pledged as collateral are classified as other assets - guarantee deposits paid, please refer to Note 6(16).

(2) Receivables

	December 31, 2023	December 31, 2022
Notes receivable	\$ 421,170	\$ 1,333,807
Premiums receivable	331,101	194,790
Interest receivable	36,268,942	36,557,022
Investments receivable	4,433,111	14,862,171
Other receivables	4,033,049	3,676,342
Overdue receivable	3,421,602	91,435
Subtotal	48,908,975	56,715,567
Less : Allowance for bad debts	(3,464,393)	(330,761)
	<u>\$ 45,444,582</u>	<u>\$ 56,384,806</u>

- A. The Consolidated Company transacts with a variety of counterparties all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Consolidated Company is not holding any collateral except interest receivable from loans.
- B. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the receivables held by the Consolidated Company and the information relating to credit risk of those receivables are provided in Note 12(3).
- C. The aging analysis of receivables is as follows:

	December 31, 2023	December 31, 2022
Not past due / Up to 3 months	\$ 46,288,692	\$ 56,624,132
3 to 6 months	146,615	46,186
6 to 12 months	923,975	7,165
Over 12 months	1,549,693	38,084
	<u>\$ 48,908,975</u>	<u>\$ 56,715,567</u>

(3) Financial assets at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial assets mandatorily measured at fair value through profit and loss		
Derivative instruments	\$ 39,857,952	\$ 27,662,422
Listed stocks	171,590,623	145,057,462
Preferred stocks	11,861,876	11,469,603
Beneficiary certificates	350,177,125	315,163,033
Financial debentures	27,570,729	27,801,809
Structured time deposits	16,215,558	16,110,468
Foreign stocks	113,941,093	111,236,892
Foreign beneficiary certificates	266,865,183	265,422,386
Foreign bonds	8,612,551	10,513,764
Foreign asset securitisation	1,389,002	1,404,135
	<u>\$ 1,008,081,692</u>	<u>\$ 931,841,974</u>

The above-mentioned financial assets which are designated as applying overlay approach are as follows:

	December 31, 2023	December 31, 2022
Listed stocks	\$ 171,590,623	\$ 145,057,462
Beneficiary certificates	350,177,125	315,163,033
Financial debentures	27,570,729	27,801,809
Structured time deposits	16,215,558	16,110,468
Foreign stocks	113,941,093	111,236,892
Foreign beneficiary certificates	266,865,183	265,422,386
Foreign bonds	7,808,459	10,513,764
Foreign asset securitisation	1,389,002	1,404,135
	<u>\$ 955,557,772</u>	<u>\$ 892,709,949</u>

A. The derivative instruments held by the Consolidated Company are as follows:

	December 31, 2023	
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 16,967,234	\$ 673,892,746
Non-delivery forwards (Note 2)	22,890,718	751,849,750
	<u>\$ 39,857,952</u>	<u>\$ 1,425,742,496</u>
Financial liabilities		
Cross currency swaps	\$ 4,540,233	\$ 378,383,663
Non-delivery forwards (Note 2)	747,272	82,927,200
	<u>\$ 5,287,505</u>	<u>\$ 461,310,863</u>
	December 31, 2022	
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 20,216,097	\$ 848,943,913
Non-delivery forwards (Note 2)	7,446,325	277,740,740
	<u>\$ 27,662,422</u>	<u>\$ 1,126,684,653</u>
Financial liabilities		
Cross currency swaps	\$ 6,307,646	\$ 245,345,929
Non-delivery forwards (Note 2)	9,777,479	423,261,060
	<u>\$ 16,085,125</u>	<u>\$ 668,606,989</u>

Note 1: Notional amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the reporting period.

Note 2: As of December 31, 2023 and 2022, the notional amount sold in New Taiwan dollars are \$45,809,500 and \$30,032,000, respectively.

- B. The derivative instruments held by the Consolidated Company were for the purpose of hedging the exchange rate risk on foreign investments and interest rate risk on domestic/foreign investments. The derivative instruments are not applied to hedge accounting.
- C. The Consolidated Company entered into derivative contracts with financial institutions with good credit quality, which comply with regulatory requirements and reviewed by the Consolidated Company on a regular basis. In addition, for all derivative transactions that the Consolidated Company engaged in, in order to avoid foreign exchange risk and interest rate risk, the Consolidated Company has entered into master netting arrangements with

counterparties. Information on offsetting derivative instruments and credit enhancement is provided in Note 6(9).

- D. Details of reclassification between profit or loss and other comprehensive income when financial assets were designated using overlay approach are as follows:

	2023	2022
Gain (loss) reported under IFRS 9	\$ 117,095,018	(\$ 122,679,124)
Less: Gain (loss) that would have been reported if applied IAS 39	<u>72,260,568</u>	<u>70,942,638</u>
Gain (loss) on reclassification of financial assets at fair value through other comprehensive income using overlay approach	<u>\$ 44,834,450</u>	<u>(\$ 193,621,762)</u>
Effects of income tax benefit (expense) on other comprehensive income	<u>(\$ 5,601,193)</u>	<u>\$ 27,009,217</u>

- E. The Consolidated Company has no financial assets at fair value through profit or loss pledged to others.
- F. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	2023	2022
Gain (loss) on valuation	\$ 68,329,804	(\$ 191,925,952)
Loss on disposal	(49,308,104)	(161,585,959)
Interest income	561,089	1,278,371
Dividend income	<u>31,365,122</u>	<u>32,497,563</u>
	<u>\$ 50,947,911</u>	<u>(\$ 319,735,977)</u>

(4) Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Equity instruments		
Listed stocks	\$ 5,573,872	\$ 5,082,466
Unlisted stocks	<u>257,031</u>	<u>209,174</u>
Subtotal	<u>5,830,903</u>	<u>5,291,640</u>
Debt instruments		
Government bonds	38,489,235	44,229,455
Corporate bonds	12,447,827	11,968,734
Financial debentures	10,705,285	10,134,135
Foreign bonds	195,680,609	172,147,021
Foreign asset securitisation	<u>6,961,599</u>	<u>6,696,435</u>
Subtotal	<u>264,284,555</u>	<u>245,175,780</u>
Statutory deposits	(378,600)	(15,412,000)
Total	<u>\$ 269,736,858</u>	<u>\$ 235,055,420</u>

- A. The Consolidated Company has classified equity instruments, that are not held for trading, as financial assets designated at fair value through other comprehensive income.

- B. In 2023 and 2022, the Consolidated Company did not sell the stocks classified as financial assets designated at fair value through other comprehensive income. For the years ended December 31, 2023 and 2022, considering the fair value, market trend of investment objects, the Consolidated Company's investment strategy and risk management policies, the Consolidated Company sold the stocks classified as financial assets designated at fair value through other comprehensive income. The fair value of the sold stocks are \$2,437 and \$512,590, respectively, and the cumulative losses on disposal are \$180 and \$38,832, respectively. In 2022, the Consolidated Company received the price difference from disposal of 2021, and the difference was recognised as cumulative loss on disposal amounting to \$1 and reclassified cumulative loss on disposal from other equity interest to retained earnings.
- C. Amounts recognised in profit or loss and comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	2023	2022
<u>Equity instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 542,270	(\$ 692,496)
Cumulative gain (loss) reclassified to retained earnings due to derecognition	(\$ 180)	(\$ 38,832)
Dividend income recognised in profit or loss		
Held by the end of the reporting period	\$ 223,540	\$ 338,523
Derecognised during the reporting period	48	23,109
	<u>\$ 223,588</u>	<u>\$ 361,632</u>
<u>Debt instruments at fair value</u>		
<u>through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 498,186	(\$ 111,426,436)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment loss (reversal of impairment loss)	10,677	2,075,387
Reclassified due to derecognition	631,439	(800,588)
	<u>\$ 1,140,302</u>	<u>(\$ 110,151,637)</u>
Interest income recognised in profit or loss	<u>\$ 11,380,258</u>	<u>\$ 41,713,716</u>

- D. The Consolidated Company changed the business model for managing financial assets in 2022, and the details of the effects on the reclassification of financial assets from the change of business model are provided in Note 14(8).
- E. Details of the Consolidated Company's financial assets at fair value through other comprehensive income as statutory deposits are provided in Note 6(16).
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(5) Financial assets at amortised cost

	December 31, 2023	December 31, 2022
Government bonds	\$ 128,153,721	\$ 122,455,791
Corporate bonds	21,737,736	22,236,831
Financial debentures	21,850,000	25,649,938
Structured time deposits	35,500,000	25,000,000
Foreign bonds	3,082,817,464	3,076,396,855
Foreign asset securitisation	64,364,713	60,999,811
	<u>3,354,423,634</u>	<u>3,332,739,226</u>
Loss allowance	(7,423,916)	(7,081,327)
Statutory deposits	(21,883,400)	(14,477,136)
	<u>\$ 3,325,116,318</u>	<u>\$ 3,311,180,763</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2023	2022
Interest income	\$ 120,098,843	\$ 79,578,906
Impairment loss	(590,566)	(4,437,066)
Gain on disposal	506,501	1,624,785
	<u>\$ 120,014,778</u>	<u>\$ 76,766,625</u>

Gain or loss on disposal of the financial assets at amortised cost are arising from early redemption by issuers, infrequent sale or insignificant in value both individually and in aggregate, sale prior to the approaching maturity date, and early disposal due to increased credit risk.

B. The Consolidated Company changed the business model for managing financial assets in 2022, and the details of the effects on the reclassification of financial assets from the change of business model are provided in Note 14(8)

C. Details of the Consolidated Company's financial assets at amortised cost pledged to others as collateral are provided in Note 6(16).

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(3).

(6) Investments accounted for using the equity method

	December 31, 2023	December 31, 2022
Associates		
Fuh Hwa Securities Investment Trust Co., Ltd.	\$ 2,809,224	\$ -
Nan Shan Plaza Property Management Co., Ltd.	7,057	5,591
	<u>\$ 2,816,281</u>	<u>\$ 5,591</u>

	2023	2022
At January 1	\$ 5,591	\$ 3,376
Addition of investments accounted for using equity method	2,763,845	-
Earning distribution of investments accounted for using equity method	(221,108)	-
Share of profit or loss of investments accounted for using equity method	268,093	2,215
Share of other comprehensive income of investment accounted for using equity method	(140)	-
At December 31	<u>\$ 2,816,281</u>	<u>\$ 5,591</u>

- A. The Consolidated Company acquired a 30% equity interest of Nan Shan Plaza Property Management Co., Ltd, and a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co., Ltd. (“Fuh Hwa Securities Trust”). For further information please refer to Note 15(2).
- B. On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Trust, becoming the single largest shareholder of the company. Though the Consolidated Company designated two representatives to serve as directors of the Fuh Hwa Securities Trust, they only occupy two out of seven director seats and do not have the actual ability to lead the relevant activities, which indicated the Consolidated Company does not have control over but have significant influence on Fuh Hwa Securities Trust.

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(7) Structured entities

A. In accordance with IFRS 12, 'Disclosure of Interests in Other Entities', the information about structured entities that are not controlled by the Consolidated Company is listed below:

Type of structured entity	December 31, 2023 Book Value	December 31, 2022 Book Value	Nature and Purpose
Private funds	\$ 151,305,609	\$ 154,308,264	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
Securitised financial asset products	72,714,793	69,099,891	Transfer of structured entity's asset related risks to investors through the issuance of bonds, in order to provide an investing opportunity for investors.
Real estate securitisation products	16,635,180	11,733,076	Through issuing beneficiary securities, commissioned institutions provide investors with opportunities to participate in gaining profits from real estate market trading, rent and appreciation.
Infrastructure funds	51,206,900	54,144,791	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
	<u>\$ 291,862,482</u>	<u>\$ 289,286,022</u>	

B. The equities of structured entities that are not included in the Consolidated Company's consolidated financial statements are recognised under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The potential losses of such entities, derived from the maximum exposure amount, are the book values of the held assets. In addition, for market risk exposures resulting from contract clauses that limit investment positions and issuance terms, the Consolidated Company has considered related market risk management approaches. Please refer to Note 12 for details.

(8) Transfer of financial asset

A. The Consolidated Company's central government development bonds and corporate bonds sold under repurchase agreements are transferred financial assets that are not derecognised in their entirety. The Consolidated Company cannot sell or pledge such securities within the transfer period; however, related risks and returns are still retained, and thus, they are not derecognised in their entirety.

B. The Consolidated Company's carrying amount of transferred financial assets that are not derecognised in their entirety and related financial liabilities are as follows:

Type of financial asset	December 31, 2023		December 31, 2022	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at amortised cost				
Bonds sold under repurchase agreements	\$ 9,465,109	\$ 5,738,950	\$ 16,353,427	\$ 12,992,000

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(9) Offsetting financial assets and financial liabilities

- A. The Consolidated Company has engaged in financial instruments transactions that were not in conformity with IAS 32 paragraph 42's offsetting requirements. However, the Consolidated Company has entered into enforceable master netting arrangements or similar agreements with counterparties, such as derivatives, structured time deposits, reverse repurchase agreements and repurchase agreements. Upon the event of a breach in agreement (default, insolvency, or bankruptcy) by a party, the counterparty may set-off the netting arrangement or pursue legal action against the collateral in accordance with their agreements. The amount received (paid) for the collateral is the fair value of the collateral. However, the offsetting amount is limited to the total amount of recognised financial assets (liabilities).
- B. The following table provides related information on enforceable master netting arrangements or similar agreements that are financial assets and liabilities:

December 31, 2023						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 91,562,415	\$ -	\$ 91,562,415	\$ 8,101,466	\$ 21,225,031	\$ 62,235,918
Reverse repurchase agreements	310,007	-	310,007	314,367	-	-
	<u>\$ 91,872,422</u>	<u>\$ -</u>	<u>\$ 91,872,422</u>	<u>\$ 8,415,833</u>	<u>\$ 21,225,031</u>	<u>\$ 62,235,918</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 5,287,505	\$ -	\$ 5,287,505	\$ 5,287,505	\$ -	\$ -
Repurchase agreements	5,738,950	-	5,738,950	9,465,109	-	-
	<u>\$ 11,026,455</u>	<u>\$ -</u>	<u>\$ 11,026,455</u>	<u>\$ 14,752,614</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

December 31, 2022

Financial Assets

Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 68,765,541	\$ -	\$ 68,765,541	\$ 11,186,834	\$ 1,470,545	\$ 56,108,162
Reverse repurchase agreements	240,000	-	240,000	234,672	-	5,328
	<u>\$ 69,005,541</u>	<u>\$ -</u>	<u>\$ 69,005,541</u>	<u>\$ 11,421,506</u>	<u>\$ 1,470,545</u>	<u>\$ 56,113,490</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 16,085,125	\$ -	\$ 16,085,125	\$ 17,044,870	\$ 1,979,438	\$ -
Repurchase agreements	12,992,000	-	12,992,000	16,353,427	-	-
	<u>\$ 29,077,125</u>	<u>\$ -</u>	<u>\$ 29,077,125</u>	<u>\$ 33,398,297</u>	<u>\$ 1,979,438</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of pledged collateral exceeds the net of recognised financial liabilities.

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(10) Investment property

	December 31, 2023	December 31, 2022
Measured subsequently using the fair value model	\$ 213,135,929	\$ 192,827,191
Measured subsequently using the cost model	5,753,855	5,788,186
	<u>\$ 218,889,784</u>	<u>\$ 198,615,377</u>

A. Measured subsequently using the fair value model

	Land	Buildings and constructions	Right-of-use assets	Total
At January 1, 2023	\$ 65,673,038	\$ 51,301,801	\$ 75,852,352	\$ 192,827,191
Additions-from acquisitions (Note)	-	403,478	16,366,015	16,769,493
Additions-from subsequent expenditures	-	98,251	-	98,251
Transferred from construction in progress	-	1,789,513	-	1,789,513
Transferred from property and equipment	156,693	194,111	-	350,804
Transferred from prepayments for buildings and lands	-	-	2,716,770	2,716,770
Transferred to property and equipment	(20,272)	(39,563)	-	(59,835)
Net gain (loss) from fair value	1,039,135	(1,479,696)	(944,395)	(1,384,956)
Adjustment of lease liabilities remeasurement	-	-	39,282	39,282
Lease modifications	-	-	(2,151)	(2,151)
Others	-	(8,433)	-	(8,433)
At December 31, 2023	<u>\$ 66,848,594</u>	<u>\$ 52,259,462</u>	<u>\$ 94,027,873</u>	<u>\$ 213,135,929</u>

Note: The additions to right-of-use assets include the present value after discounting of all lease payments during the lease period amounting to \$16,347,522.

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2022	\$ 65,741,635	\$ 51,142,761	\$ 76,783,184	\$ -	\$ 193,667,580
Additions-from acquisitions	10,062	523,532	-	1,603,963	2,137,557
Additions-from subsequent expenditures	-	44,571	-	-	44,571
Transferred from construction in progress	-	1,521,066	-	-	1,521,066
Disposals	(20,223)	-	-	-	(20,223)
Transferred from prepayments for buildings and lands	1,249,516	354,447	-	(1,603,963)	-
Transferred to property and equipment	(840,498)	(1,194,387)	-	-	(2,034,885)
Net gain (loss) from fair value	(467,454)	(1,087,951)	442,533	-	(1,112,872)
Adjustment of lease liabilities remeasurement	-	-	(1,373,365)	-	(1,373,365)
Others	-	(2,238)	-	-	(2,238)
At December 31, 2022	<u>\$ 65,673,038</u>	<u>\$ 51,301,801</u>	<u>\$ 75,852,352</u>	<u>\$ -</u>	<u>\$ 192,827,191</u>

The fair value of investment property held by the Consolidated Company is based on valuations performed by independent valuers, following “Regulation on Real Estate Appraisal”. In accordance with “Regulations Governing the Preparation of Financial reports by Insurance Companies”, two or more joint appraisers firms should be appointed for a single item whose valuation amount is more than TWD 1 billion. If the investment properties were acquired before May 11, 2020, valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted based on the nature, location or condition of the individual asset. If the investment properties were acquired after May 11, 2020, valuations are performed using valuation techniques such as income approach and cost approach according to Regulations Governing the Preparation of Financial Reports by Insurance Enterprise. Information on valuation reports primarily used by the Consolidated Company is as follows:

(a) Appointed joint appraisers firms, appraiser’s name and valuation date are as follows:

Appraiser firm	Appraiser	Valuation date
REPro International Real Estate Appraisers Firm	Wu, Hung-Hsu	December 31, 2022
	Tsai, Yu-Hsiang	December 31, 2022 and 2023
	Hsu, Hsiang-Yi	December 31, 2022 and 2023
Sin Yi Real Estate Appraisers Firm	Wang, Shih-Ming	December 31, 2022 and 2023
	Tsai, Wen-Che	December 31, 2022 and 2023
	Chih, Wei-Hsin	December 31, 2022 and 2023
	Chi, Liang-An	December 31, 2022 and 2023
	Wu, Chih-Hao	December 31, 2022 and 2023
CCIS Real Estate Joint Appraisers Firm	Li, Wei-Ju	December 31, 2022 and 2023
	Tai, Kuang-Ping	December 31, 2022 and 2023
Savills Real Estate Appraiser Firm	Yeh, Yu-Fen	December 31, 2022 and 2023
	Chang, Hung-Kai	December 31, 2022 and 2023
	Chang, Yi-Chih	December 31, 2022 and 2023
	Ye, Shi-Yu	December 31, 2022 and 2023
	Wu, Cheng-Yeh	December 31, 2023
	Ke, Feng-Ru	December 31, 2022 and 2023
Colliers International Real Estate Appraisers Firm	Ku, Chien-Hui	December 31, 2022 and 2023
	Chen, Yu-Lin	December 31, 2022
Elite Appraisers Firm	Lo, Yi-Hui	December 31, 2022
	Yang, Shang-Hung	December 31, 2022
Zhan-Mao Real Estate Appraisers Firm		
V-Land International Appraisers Joint Firm	Wang, Si-Jhong	December 31, 2023
Cushman & Wakefield Real Estate Appraisers Firm	Lee, Ken-Yuan	December 31, 2023
	Hu, Chun-Chun	December 31, 2023
	Tsai, Chia-He	December 31, 2023
Hwan Yu Real Estate Appraisers Joint Firm	Chao, Hui-Mei	December 31, 2023
Euro-Asia Real Estate Appraisers Firm	Hsieh, Tsung-Ting	December 31, 2022

(b) Details of appropriateness and reasonability of valuation methods, key assumptions and inputs:

I. Investment properties acquired before May 11, 2020

For the Consolidated Company's properties used as storefront located in a commercial district and offices, due to convenient transportation, active trading and market competitiveness, comparative price and income price are generally informative for value of these properties. Comparison approach is used to analyse based on the transaction price of similar property with substitutability. Income approach is estimated based on rental income and reasonable capitalisation rates.

For commercial property and right-of-use assets like hypermarket and superficies products, they are primarily leased to others to collect long-term steady rental income. Due to its profitability, in general, its value is mainly based on income price and supplementary based on comparative price or cost.

For the superficies, the main evaluation approaches are the income approach, cost approach, land development analysis and comparison approach. After development of the superficies is completed, the evaluation approach of the building completed from the superficies is changed using the abovementioned evaluation approaches based on its nature.

II. Investment properties acquired after May 11, 2020

Investment property which has been engaged a lease contract with the lease term over one year is evaluated by income approach. Cash flows, analysis period and discount rate included in valuation techniques shall meet the regulations specified in "Regulations Governing the Preparation of Financial reports by Insurance Companies". However, investment property which has not been engaged a lease contract with the lease term over one year or has been terminated or cancelled over one year is evaluated using cost approach. If investment property cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", it can be measured at replacement cost to assess its fair value. In addition, according to the comments on investment property subsequently measured at fair value released based on "Regulations Governing the Preparation of Financial reports by Insurance Companies", land development analysis approach is not applicable for cost approach, and the fair value shall be recognised based on the regular price referring to the valuation reports issued under "Regulations on Real Estate Appraisal" if regular price is lower than the value assessed based on income approach or cost approach.

Because the right-of-use assets are acquired after May 11, 2020 and cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", they are measured at replacement cost. In addition, for those whose regular price is lower than cost, the fair value is measured at regular price.

III. The key inputs used are listed as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Income approach		
Capitalisation rate	0.66%~4.21%	0.22%~6.33%
Discount rate	2.87%~4.86%	2.08%~4.75%
Cost approach		
Comprehensive interest of capital rate	0.73%~11.55%	0.44%~10.48%

The higher the abovementioned rate, the lower the fair value. On the contrary, the lower the abovementioned rate, the higher the fair value.

(c) Information on lease liabilities for right-of-use assets classified as investment properties is provided in Note 6(13).

B. Measured subsequently using the cost model

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2023</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>2023</u>				
Beginning balance	\$ 2,156,552	\$ 1,044,769	\$ 2,586,865	\$ 5,788,186
Additions-from acquisitions (Note)	-	-	1,815,946	1,815,946
Additions-from subsequent expenditures	-	3,786	-	3,786
Construction in progress completed and transferred out	-	-	(1,789,513)	(1,789,513)
Amortisation of direct lease costs	-	(28,224)	-	(28,224)
Depreciation charge	-	(36,310)	-	(36,310)
Others	-	(16)	-	(16)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>
<u>At December 31, 2023</u>				
Cost	\$ 2,156,552	\$ 1,438,487	\$ 2,613,298	\$ 6,208,337
Accumulated depreciation	-	(454,482)	-	(454,482)
	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$114 and \$692,451, respectively.

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2022</u>				
Cost	\$ 2,014,422	\$ 1,415,118	\$ 2,585,593	\$ 6,015,133
Accumulated depreciation	-	(382,358)	-	(382,358)
	<u>\$ 2,014,422</u>	<u>\$ 1,032,760</u>	<u>\$ 2,585,593</u>	<u>\$ 5,632,775</u>
<u>2022</u>				
Beginning balance	\$ 2,014,422	\$ 1,032,760	\$ 2,585,593	\$ 5,632,775
Additions-from acquisitions (Note)	-	1,426	1,522,338	1,523,764
Additions-from subsequent expenditures	-	12,082	-	12,082
Transferred from property and equipment	142,130	63,625	-	205,755
Construction in progress completed and transferred out	-	-	(1,521,066)	(1,521,066)
Amortisation of direct lease costs	-	(28,853)	-	(28,853)
Depreciation charge	-	(35,814)	-	(35,814)
Others	-	(457)	-	(457)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>At December 31, 2022</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$461 and \$234,399, respectively.

Because the Consolidated Company cannot reliably determine the fair value of its construction in progress on an on-going basis, constructions in progress is measured at cost. Once the fair value can be reliably determined or when construction is complete, the property is measured at fair value.

- C. For information on the fair value of investment property, please refer to Note 11(2).
- D. Rental income from investment property and direct operating expenses arising from investment property are shown below (excluding depreciation):

	2023	2022
Rental income from investment property	\$ 4,430,073	\$ 4,311,490
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 1,051,247	\$ 979,842
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 202,036	\$ 123,039

- E. Consolidated Company recognised rental income of the variable lease payments based on operating lease contracts, which are listed as follows:

2023	2022
\$ 27,686	\$ 30,429

For the information on the analysis of due date of the lease receivables under the operating leases of the Consolidated Company as of December 31, 2023 and 2022, please refer to Note 6(14).

- F. The information on investment property, including construction in progress, acquired by the Consolidated Company in 2023 and 2022 is as follows:
- On April 13, 2017, the Consolidated Company's life insurance business signed a construction agreement, "New Land Construction on No. 297, 288, 289, 298, 299, 299-1, 300, 302 and 303 in Xiaobei sections of North District, Tainan City" with Fut Su Construction Co., Ltd., and the total contract price was \$2,467,000. Between 2021 to 2023, the Consolidated Company successively signed incremental agreements. As of December 31, 2023, the total modified contract prices was \$3,319,001. As of December 31, 2023 and 2022, the Consolidated Company has paid \$2,608,834 and \$2,103,543 for the construction, respectively.
 - On February 15, 2019, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 6 Plaza" with Fut Su Construction Co. Ltd., and the total contract price was \$1,198,539. In addition, due to the completion of the detailed design on April 8, 2021, and the total modified contract price was \$1,266,024. As of December 31, 2023 and 2022, the Consolidated Company has paid \$1,186,008 and \$1,101,704 for the construction, respectively.
 - On July 7, 2020, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 7 Plaza" with Feng Hsing Construction Engineering Co., Ltd., total contract price was \$566,011. Subsequently, on November 1, 2022, the Consolidated Company signed an incremental agreement, and the total modified contract price was \$590,911. As of December 31, 2023 and 2022, the Consolidated Company has paid \$562,301 and \$515,630 for the construction.
 - On September 30, 2022, the Consolidated Company's life insurance business signed a trading contract for the "Acquisition of plant on Gongyequ 7th Rd., Taichung City" with an individual, and the total contract price was \$1,600,000 determined by referring to the valuation reports

issued by the real estate appraisers and by bids. As of December 31, 2023, the Consolidated Company had paid the full price.

- (e) On March 1, 2023, the Consolidated Company's life insurance business signed a construction agreement of "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Da Cin Construction Co., Ltd., and the total contract price was \$7,638,750. As of December 31, 2023, the Consolidated Company has paid \$457,363 for the construction.

G. The right-of-use assets of the Consolidated Company were as follows:

- (a) On August 13, 2014, the Consolidated Company's life insurance business signed a "Construction and Operation Agreement of Development Project of Shulin Shuxin Section Public-owned Land" with Economic Development Department, New Taipei City Government. The total contract price was based on the valuation reports issued by the real estate appraisers. The Consolidated Company won the bids for the project with \$381,111.
- (b) On October 12, 2012, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price is \$28,232,400 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (c) On December 25, 2012, the Consolidated Company's life insurance business signed a "State-owned Land for Nonpublic Use Superficies Contract" with National Property Administration, Central Taiwan Office, and acquired the Land Lot No. 1021, 1039 and 1041 Lianwu Section, East District, Taichung City. The total contract price was referred to the valuation reports issued by the real estate appraisers and was acquired by bids with \$577,243.
- (d) On March 30, 2020, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts" with the National Property Administration, Ministry of Finance. The contract price was \$31,276,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
- (e) On December 18, 2019, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price was \$15,981,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids, and the registration of superficies was completed on January 16, 2023. As of December 31, 2022, the prepaid royalty amounted to \$2,716,770, which was recognised as prepayments and temporary debits, please refer to Note 6(16).

H. Please refer to Note 8 for the information of aforesaid significant unrecognised contract commitments signed by the Consolidated Company.

(11) Loans

	December 31, 2023	December 31, 2022
Life insurance policy loans	\$ 81,865,517	\$ 81,792,247
Automatic policy loans	16,721,954	17,290,208
Secured loans	11,732,712	15,067,331
Less: Allowance for bad debts	(176,294)	(226,337)
	<u>\$ 110,143,889</u>	<u>\$ 113,923,449</u>

- A. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the loans held by the Consolidated Company and the information relating to credit risk of those loans are provided in Note 12(3).
- B. Life insurance policy loans and automatic policy loans are granted to the policyholders with their life and annuity insurance policies as collateral. Life insurance policy loans and automatic policy loans are approved according to certain limit of surrender charges or policy value reserve. If the amount of policy loans or automatic policy loans plus accrued interest exceeds policy value reserve, the policy will be suspended automatically. Hence, both life insurance policy loans and automatic policy loans have adequate policy value reserve as collateral. However, for the life insurance policy loans with collateral of the account value of investment-linked policy, allowance for bad debts should be made when their account value are not adequate to settle life insurance policy loans because of the dramatic decline in the fair value of investments.
- C. Secured loans are loans collateralised by real estate. In accordance with relevant laws and regulations of secured loans, "mortgage loans guidelines" and related internal operations articles, it can be loaned in the specific amount. All of the secured loans are made with collateral.

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(12) Property and equipment

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2023</u>								
Cost	\$ 10,341,553	\$ 7,556,205	\$ 658,544	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	-	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>2023</u>								
Beginning balance	\$ 10,341,553	\$ 4,525,442	\$ 658,544	\$ 1,021,707	\$ 513	\$ 255,410	\$ 6,047	\$ 16,809,216
Additions-from acquisitions (Note 1)	-	106,706	185,563	181,686	-	328,706	2,236	804,897
Transferred from investment property	20,272	39,563	-	-	-	-	-	59,835
Transferred from construction in progress	-	650,402	(650,402)	-	-	-	-	-
Disposals-cost	(1,846)	(16,889)	-	(26,033)	-	(28,302)	(3,205)	(76,275)
Disposals-accumulated depreciation	-	13,932	-	25,711	-	27,749	2,410	69,802
Depreciation charge (Note 2)	-	(170,091)	-	(257,771)	(291)	(115,919)	(2,140)	(546,212)
Transfer to investment property -cost	(156,693)	(312,417)	-	-	-	-	-	(469,110)
Transfer to investment property -accumulated depreciation	-	118,306	-	-	-	-	-	118,306
Revaluation increment of real estate	52,241	28,212	-	-	-	-	-	80,453
Ending balance	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ 16,850,912</u>
<u>At December 31, 2023</u>								
Cost	\$ 10,255,527	\$ 7,401,380	\$ 844,107	\$ 2,145,503	\$ 4,732	\$ 851,124	\$ 33,121	\$ 21,535,494
Accumulated depreciation	-	(3,068,616)	-	(1,200,203)	(4,510)	(383,480)	(27,773)	(4,684,582)
Carrying amount	<u>\$ 10,255,527</u>	<u>\$ 4,332,764</u>	<u>\$ 844,107</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ 16,850,912</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,489 and \$4,625, respectively.

Note 2: Including capitalised intangible assets amounting to \$4,308.

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2022</u>								
Cost	\$ 9,092,784	\$ 6,359,058	\$ 298,009	\$ 1,857,299	\$ 4,732	\$ 474,230	\$ 30,037	\$ 18,116,149
Accumulated depreciation	-	(2,912,879)	-	(753,979)	(3,897)	(243,813)	(27,075)	(3,941,643)
Carrying amount	<u>\$ 9,092,784</u>	<u>\$ 3,446,179</u>	<u>\$ 298,009</u>	<u>\$ 1,103,320</u>	<u>\$ 835</u>	<u>\$ 230,417</u>	<u>\$ 2,962</u>	<u>\$ 14,174,506</u>
<u>2022</u>								
Beginning balance	\$ 9,092,784	\$ 3,446,179	\$ 298,009	\$ 1,103,320	\$ 835	\$ 230,417	\$ 2,962	\$ 14,174,506
Additions-from acquisitions (Note 1)	550,401	110,314	360,535	168,626	-	122,146	5,406	1,317,428
Transferred from investment property	840,498	1,194,387	-	-	-	-	-	2,034,885
Disposals-cost	-	(20,261)	-	(36,075)	-	(45,207)	(1,353)	(102,896)
Disposals-accumulated depreciation	-	18,729	-	36,010	-	45,151	1,173	101,063
Transfer to investment property -cost	(142,130)	(87,293)	-	-	-	(449)	-	(229,872)
Transfer to investment property -accumulated depreciation	-	23,976	-	-	-	141	-	24,117
Depreciation charge (Note 2)	-	(160,589)	-	(250,174)	(322)	(96,789)	(2,141)	(510,015)
Ending balance	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>At December 31, 2022</u>								
Cost	\$ 10,341,553	\$ 7,556,205	\$ 658,544	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	-	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,689 and \$4,518, respectively.

Note 2: Including capitalised intangible assets amounting to \$2,848.

(13) Leasing arrangements — lessee

- A. The Consolidated Company leases various assets including buildings, offices, superficieses and other equipment. Rental contracts for buildings, offices and other equipment are typically made for periods of 1 to 20 years. Additionally, the leased land with registered superficieses has a rental period of 50 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Low-value assets comprise of office equipment.
- C. The right-of-use assets of superficieses were reported in investment property and right-of-use assets. The carrying amount of investment property is provided in Note 6(10).
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2023</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>2023</u>				
Beginning balance	\$ 660,501	\$ 221,423	\$ 26,262	\$ 908,186
Additions	319,634	-	1,413	321,047
Disposals-cost	(337,860)	-	(1,263)	(339,123)
Disposals-accumulated depreciation	337,860	-	1,263	339,123
Lease modifications	(9,144)	(23,815)	(183)	(33,142)
Depreciation charge (Note)	(344,883)	(5,062)	(19,110)	(369,055)
Ending balance	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>
<u>At December 31, 2023</u>				
Cost	\$ 1,234,385	\$ 208,493	\$ 67,268	\$ 1,510,146
Accumulated depreciation	(608,277)	(15,947)	(58,886)	(683,110)
Carrying amount	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>

Note : Including capitalised investment property and property and equipment amounting to \$4,603.

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2022</u>				
Cost	\$ 1,285,700	\$ 231,863	\$ 67,673	\$ 1,585,236
Accumulated depreciation	(664,459)	(5,735)	(23,104)	(693,298)
Carrying amount	<u>\$ 621,241</u>	<u>\$ 226,128</u>	<u>\$ 44,569</u>	<u>\$ 891,938</u>
<u>2022</u>				
Beginning balance	\$ 621,241	\$ 226,128	\$ 44,569	\$ 891,938
Additions	496,239	-	660	496,899
Disposals-cost	(432,079)	-	(1,032)	(433,111)
Disposals-accumulated depreciation	432,079	-	1,032	433,111
Lease modifications	(88,105)	-	-	(88,105)
Depreciation charge (Note)	(368,874)	(5,150)	(18,967)	(392,991)
Adjustment of lease liabilities remeasurement	-	445	-	445
Ending balance	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>

Note : Including capitalised investment property and property and equipment amounting to \$5,150.

E. The Consolidated Company's life insurance business signed the "Investment contract of Sharon Park and parking lot in Tamsui District, New Taipei City" with Economic Development Department, New Taipei City Government on January 15, 2021. The total contract price was \$62,000 determined by referring to the valuation reports issued by the real estate appraisers and by bid. The Consolidated Company referred to the purpose of holding to classified as right-of-use assets and investment properties, respectively. As of December 31, 2023, the carrying amount of right-of-use assets and investment properties was \$190,101 and \$13,095, respectively.

On June 29, 2023, the Consolidated Company's life insurance business signed a construction agreement of "Registered Superficies of Sharon Park and parking lot in Tamsui District, New Taipei City" with Chien Kuo Construction Co., Ltd., the total contract price was \$2,042,000. As of December 31, 2023, the carrying amount of property and equipment and investment properties was \$193,705 and \$35,719, respectively.

F. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	2023	2022
Interest expense on lease liabilities	\$ 359,830	\$ 349,598
Expense on leases of low-value assets	1,200	1,200
Loss (gain) on lease modifications	12 (	115)

- G. The Consolidated Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.3024% to 3.8890% and from 0.4766% to 3.2270% for the years ended December 31, 2023 and 2022, respectively.
- H. For the years ended December 31, 2023 and 2022, the Consolidated Company's total cash outflows for leases are \$4,304,836 and \$879,644 respectively.
- I. Most of the property lease contracts of the Consolidated Company include the option of terminating the lease in advance, and a few other lease contracts include the option of extending the lease. As the exercise of this option is uncertain, the condition will not be reflected when measuring lease liabilities.
- J. The movements of lease liabilities are as follows:

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2023	\$ 18,686,748	\$ 154,083	\$ 657,404	\$ 19,498,235
Additions (Note 1)	16,347,522	-	321,097	16,668,619
Adjustment of lease liabilities remeasurement	39,282	-	-	39,282
Lease modifications and others (Note 2)	(2,151)	(23,815)	(9,307)	(35,273)
Interest expense recognised	1,045,441	4,659	6,774	1,056,874
Lease payments	(3,935,564)	(2,550)	(368,207)	(4,306,321)
At December 31, 2023	<u>\$ 32,181,278</u>	<u>\$ 132,377</u>	<u>\$ 607,761</u>	<u>\$ 32,921,416</u>
	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2022	\$ 20,092,752	\$ 151,637	\$ 634,874	\$ 20,879,263
Additions (Note 1)	-	-	497,106	497,106
Adjustment of lease liabilities remeasurement	(1,373,365)	445	-	(1,372,920)
Lease modifications and others (Note 2)	-	-	(88,186)	(88,186)
Interest expense recognised	578,922	4,550	5,043	588,515
Lease payments	(556,232)	(2,419)	(389,462)	(948,113)
Rent concessions	(55,329)	(130)	(1,971)	(57,430)
At December 31, 2022	<u>\$ 18,686,748</u>	<u>\$ 154,083</u>	<u>\$ 657,404</u>	<u>\$ 19,498,235</u>

Note 1: For the years ended December 31, 2023 and 2022, the deductible for employees' dormitory amounted to \$50 and \$207, respectively.

Note 2: For the years ended December 31, 2023 and 2022, including exchange loss (gain) of \$8 and (\$34), respectively.

K. The Consolidated Company's lease contracts of multifunction printers contain variable lease payment terms that are linked to the actual use in multifunction printers. For the years ended December 31, 2023 and 2022, the variable lease payments are \$18,071 and \$16,602, respectively.

L. The Consolidated Company has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$0 and \$125,277 in gain or loss on investment property and non-operating income and expenses for the years 2023 and 2022, respectively. Among them, the rent concessions belonging to superficies respectively amounting to \$0 and \$70,022 recognised in gain or loss on investment property has been implemented to lessees.

(14) Leasing arrangements – lessor

A. The Consolidated Company leases investment property. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Information on gain arising from operating lease agreements for the years ended December 31, 2023 and 2022 is provided in Note 6(10).

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2023	December 31, 2022
2023	\$ -	4,206,418
2024	4,129,113	3,247,131
2025	3,553,901	2,663,779
2026	3,158,886	2,336,305
2027	2,778,807	2,088,248
2028	2,356,602	1,830,069
2029	1,791,334	1,626,615
After 2030	12,727,432	12,328,296
Total	<u>\$ 30,496,075</u>	<u>\$ 30,326,861</u>

(15) Intangible assets

Details of intangible assets are as follows:

	Computer software	Goodwill	Licences	Total
<u>At January 1, 2023</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>2023</u>				
Beginning balance	\$ 9,386,989	\$ 1,075,875	\$ 4,058,800	\$ 14,521,664
Additions-acquired separately (Note)	541,442	-	-	541,442
Disposals-cost	(118,210)	-	-	(118,210)
Disposals-accumulated amortisation	118,210	-	-	118,210
Amortisation charge	(715,476)	-	(634,366)	(1,349,842)
Ending balance	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
<u>At December 31, 2023</u>				
Cost	\$ 12,663,078	\$ 1,075,875	\$ 4,956,012	\$ 18,694,965
Accumulated amortisation	(3,450,123)	-	(1,531,578)	(4,981,701)
Carrying amount	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
	Computer software	Goodwill	Licences	Total
<u>At January 1, 2022</u>				
Cost	\$ 11,733,721	\$ 1,075,875	\$ 4,956,012	\$ 17,765,608
Accumulated amortisation	(2,147,340)	-	(475,770)	(2,623,110)
Carrying amount	<u>\$ 9,586,381</u>	<u>\$ 1,075,875</u>	<u>\$ 4,480,242</u>	<u>\$ 15,142,498</u>
<u>2022</u>				
Beginning balance	\$ 9,586,381	\$ 1,075,875	\$ 4,480,242	\$ 15,142,498
Additions-acquired separately (Note)	545,470	-	-	545,470
Disposals-cost	(39,345)	-	-	(39,345)
Disposals-accumulated amortisation	39,345	-	-	39,345
Amortisation charge	(744,862)	-	(421,442)	(1,166,304)
Ending balance	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>At December 31, 2022</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>

Note: Including capitalised depreciation charge of property and equipment amounting to \$4,308 and \$2,976, and capitalised amortisation charge of intangible assets amounting to \$37 and \$128, for the years ended December 31, 2023 and 2022, respectively.

(16) Other assets

	December 31, 2023	December 31, 2022
Prepayments and temporary debits	\$ 657,975	\$ 3,517,187
Guarantee deposits paid	23,710,649	33,323,211
Others	58,345	58,345
	<u>\$ 24,426,969</u>	<u>\$ 36,898,743</u>

A. As at December 31, 2023 and 2022, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the other assets held by the Consolidated Company are \$23,724,267 and \$33,340,934, respectively.

B. The Consolidated Company's guarantee deposits paid are detailed as follows:

- (a) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set \$800,000 certificate of time deposit as (contract) security deposit on September 20, 2012. Because the Consolidated Company met the condition of the contract, a security deposit of \$400,000 was returned in January 2019. As of December 31, 2023 and 2022, the amount of security deposit was \$400,000.
- (b) In response to the commitment to the Council of Labor Affairs, Executive Yuan made by Ruen Chen Investment Holding Co., Ltd. in respect of stock equity trading, the Consolidated Company's life insurance business deposited Government Bonds with par value of \$680,000 under the trust account of Mega International Commercial Bank Co., Ltd. on August 31, 2011.
- (c) Articles 141 and 142 of the Insurance Law require an insurance company to place a statutory deposit with the government equal to 15% of its paid-in capital. The deposit will not be returned until cessation of business and liquidation has been completed. At the end of the financial reporting period, the Consolidated Company deposited Government Bonds in the Central Bank of the Republic of China as follows:

December 31, 2023	December 31, 2022
<u>\$ 21,307,000</u>	<u>\$ 21,228,400</u>

- (d) The Consolidated Company's life insurance business has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years 2016 and 2017. The Consolidated Company's life insurance business deposited Government Bonds amounting to \$275,000 as a statutory deposit in July 2020.
- (e) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit of \$800,000 as contract security deposit on December 6, 2019.
- (f) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 520-2 and other 31 lands, Wang Gao Lou Section, Tamsui District, New Taipei City" held by New Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit (including subsequent interest) as contract security deposit on

January 12, 2021. As of December 31, 2023 and 2022, the deposit amounted to \$46,058 and \$46,029, respectively.

- (g) The Consolidated Company's life insurance business is engaged in trading of derivative instruments and bonds sold under repurchase agreements. As of December 31, 2023 and 2022, the Consolidated Company deposited U.S. Government Bonds amounting to \$0 and \$7,705,736, respectively, and cash amounting to \$0 and \$1,979,438, respectively, as the guarantee. Refer to Note 6(9) for details of the offset between guarantee and financial assets and liabilities.
- (h) The Consolidated Company's property insurance business engaged in insurance bidding business, as of December 31, 2023 and 2022, the Consolidated Company's property business had time deposits of \$20,180 and \$20,161 as the contract security deposit, respectively.
- (i) Except as stated above, the Consolidated Company's refundable deposits is mainly from leases and property investments, etc.

(17) Insurance products - separate account

- A. The insurance products - separate account classified under assets on insurance products - separate account, liabilities on insurance products - separate account, revenues on insurance products - separate account and expenses on insurance products-separate account are detailed as follows:

	December 31, 2023	December 31, 2022
Assets on insurance products - separate account		
Cash in bank	\$ 153,685	\$ 121,251
Financial assets at fair value through profit or loss	207,480,697	192,609,805
Other receivables	577,410	289,827
	<u>\$ 208,211,792</u>	<u>\$ 193,020,883</u>
Liabilities on insurance products - separate account		
Reserve for insurance products - separate account-insurance contracts	\$ 128,306,987	\$ 121,000,336
Reserve for insurance products - separate account-investment contracts	79,245,766	71,670,987
Other payables	659,039	349,560
	<u>\$ 208,211,792</u>	<u>\$ 193,020,883</u>

	2023	2022
Revenues on insurance products - separate account		
Premiums income	\$ 10,610,239	\$ 10,833,730
Interest income	10	-
Gain (loss) on financial assets at fair value through profit or loss and foreign exchange	15,303,702	(7,697,177)
	<u>\$ 25,913,951</u>	<u>\$ 3,136,553</u>

	2023	2022
Expenses on insurance products - separate account		
Claims and policy benefits payments	\$ 423,955	\$ 372,484
Surrender charges	11,129,634	9,475,729
Net change of reserve - insurance contracts	7,430,727	(13,074,991)
Administration charges and cost of insurance	1,654,386	1,635,207
Payment for cash dividends	5,275,249	4,728,124
	<u>\$ 25,913,951</u>	<u>\$ 3,136,553</u>

- B. The Consolidated Company received sales incentive bonus recognised as fee income from counterparties relative to the above investment-linked insurance products as follows:

2023	2022
\$ 1,596,529	\$ 1,512,257

- C. On September 17, 2019, the Consolidated Company was penalised by the competent authority because “the Invision” information system violated the Insurance Act and was asked to terminate the business of new investment-linked insurance product contract by the next day of receiving the sanction. Only until the information system of investment-linked insurance product is improved and is verified by the third-party professional institution and reported to the authority for approval, the business of new investment-linked insurance product contract can be restarted. On January 2, 2024, the Consolidated Company was approved by the competent authority to resume the sale of the investment-linked insurance products.

(18) Short-term debts

	December 31, 2023	December 31, 2022
Bonds sold under repurchase agreements	<u>\$ 5,738,950</u>	<u>\$ 12,992,000</u>

- A. To fulfil the needs of short-term transaction of derivative instruments and insurance business, as of December 31, 2023 and 2022, the Consolidated Company transacted bonds sold under repurchase agreements at a contracted interest rate range from 5.67%~5.85% and 1.28% to 2.00%, respectively.
- B. Refer Notes 6(8) and 6(9) for details of Government Bonds and corporate bonds classified as financial assets at amortised cost being pledged as collateral for the liabilities of bonds sold under repurchase agreements which were transacted by the Consolidated Company.

(19) Payables

	December 31, 2023	December 31, 2022
Claims and policy benefits payable	\$ 1,393,269	\$ 1,500,315
Commissions payable	2,174,841	2,277,263
Due to reinsurers and ceding companies	1,528,173	1,629,041
Accrued interests	844,305	761,650
Investments payable	795,997	11,683,146
Other payables	7,519,985	7,220,918
	<u>\$ 14,256,570</u>	<u>\$ 25,072,333</u>

(20) Financial liabilities at fair value through profit or loss

	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss		
Derivative instruments	<u>\$ 5,287,505</u>	<u>\$ 16,085,125</u>

For the gain or loss on financial liabilities at fair value through profit or loss recognised by the Consolidated Company and related description of derivative instruments, please refer to Note 6(3).

(21) Bonds payable

	December 31, 2023	December 31, 2022
Bonds payable	<u>\$ 53,500,000</u>	<u>\$ 42,000,000</u>

A. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10502064510 of FSC dated May 31, 2016, and Public Announcement of Securities-TPEX-Bond No. 10500152721 of Taipei Exchange dated June 20, 2016, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$25,000,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: Perpetual.
- (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 20, 2016 the coupon rate is 3.5%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
- (g) Form of issuance: The bond is issued in non-physical form.

- B. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10602051720 of FSC dated May 31, 2017, and Public Announcement of Securities-TPEX-Bond No. 10600151791 of Taipei Exchange dated June 23, 2017, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$7,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 23, 2017 the coupon rate is 3.45%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- C. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10704153520 of FSC dated June 12, 2018, and Public Announcement of Securities-TPEX-Bond No. 10700153831 of Taipei Exchange dated June 29, 2018, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$10,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 29, 2018 the coupon rate is 3.3%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.

D. The Consolidated Company's life insurance business was informed by Jin-Guan-Bao-Sho Letter No. 112043641 of FSC dated September 13, 2023, and Public Announcement of Securities-TPEX-Bond No. 11200101871 of Taipei Exchange dated October 19, 2023, of a permit to issue the first unsecured cumulative subordinated bonds of 2023 which was granted and became effective. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$11,500,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
- (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
- (g) Form of issuance: The bond is issued in non-physical form.

(22) Reinsurance contract assets and insurance contract liabilities

	December 31, 2023	December 31, 2022
Reinsurance contract assets		
Life insurance	\$ 1,380,473	\$ 1,238,479
Property insurance	2,631,559	3,171,662
	<u>\$ 4,012,032</u>	<u>\$ 4,410,141</u>
	December 31, 2023	December 31, 2022
Insurance liabilities		
Life insurance	\$ 4,617,867,429	\$ 4,576,388,797
Property insurance	9,942,984	9,549,603
	<u>\$ 4,627,810,413</u>	<u>\$ 4,585,938,400</u>

A. Life insurance

The components of reinsurance contract assets are as follows:

	December 31, 2023	December 31, 2022
Claims recoverable from reinsurers	\$ 1,106,304	\$ 907,517
Due from reinsurers and ceding companies	3,624	206
Reinsurance reserve assets		
Ceded unearned premium reserve	163,841	153,453
Ceded claims reserve	106,704	177,303
	<u>\$ 1,380,473</u>	<u>\$ 1,238,479</u>

Reinsurance contract assets held by the Consolidated Company's life insurance are neither past due nor impaired, and they all ceded to reinsurers with S&P rating A or above.

The components of insurance contract liabilities are as follows:

	December 31, 2023	December 31, 2022
Unearned premium reserve	\$ 20,056,307	\$ 19,333,397
Claims reserve	10,799,542	10,538,532
Policy reserve	4,571,457,717	4,530,866,645
Special reserve	9,352,030	9,190,758
Premium deficiency reserve	6,201,833	6,459,465
	<u>\$ 4,617,867,429</u>	<u>\$ 4,576,388,797</u>

The movements and components of insurance contract liabilities and reinsurance reserves are as follows:

(a) Unearned premium reserve and ceded unearned premium reserve

	2023	2022
Unearned premium reserve:		
At January 1	\$ 19,333,397	\$ 18,639,588
Provision	20,056,310	19,333,359
Recovery	(19,333,397)	(18,639,588)
Foreign exchange (gain) loss	(3)	38
At December 31	<u>\$ 20,056,307</u>	<u>\$ 19,333,397</u>

	2023	2022
Ceded unearned premium reserve:		
At January 1	\$ 153,453	\$ 143,585
Net change	10,412	9,600
Foreign exchange (loss) gain	(24)	268
At December 31	<u>\$ 163,841</u>	<u>\$ 153,453</u>

(b) Claims reserve and ceded claims reserve

I. The components of claims reserve are as follows:

	December 31, 2023	December 31, 2022
Claims reported but not paid	\$ 3,521,136	\$ 3,618,370
Claims incurred but not reported and paid	7,278,406	6,920,162
	<u>\$ 10,799,542</u>	<u>\$ 10,538,532</u>

II. The movement of claims reserve and ceded claims reserve are as follows:

	2023	2022
Claims reserve:		
At January 1	\$ 10,538,532	\$ 8,243,622
Provision	10,798,492	10,526,731
Recovery	(10,538,532)	(8,243,622)
Foreign exchange loss	1,050	11,801
At December 31	<u>\$ 10,799,542</u>	<u>\$ 10,538,532</u>

	2023	2022
Ceded claims reserve:		
At January 1	\$ 177,303	\$ 49,424
Net change	(70,710)	127,805
Foreign exchange gain	111	74
At December 31	<u>\$ 106,704</u>	<u>\$ 177,303</u>

(c) Policy reserve

I. The components of policy reserve are as follows:

	December 31, 2023	December 31, 2022
Insurance contracts	\$ 4,394,653,228	\$ 4,332,251,861
Investment contracts with discretionary participation features	175,530,410	197,391,055
Life policy reserve-catastrophe reserve recovered	50,691	50,691
Policy benefit-pending payment to policyholder	1,223,388	1,173,038
	<u>\$ 4,571,457,717</u>	<u>\$ 4,530,866,645</u>

II. The movements of policy reserve are as follows:

	2023	2022
At January 1	\$ 4,530,312,507	\$ 4,356,618,334
Provision	268,634,742	290,795,863
Recovery	(234,056,723)	(228,682,043)
Foreign exchange loss	1,951,464	107,402,500
Others	4,011,239	4,177,853
At December 31 (Note)	<u>\$ 4,570,853,229</u>	<u>\$ 4,530,312,507</u>

Note: Reclassification from claims and policy benefits payable to reserve for policy benefits-pending payment to policyholder amounting to \$604,488 and \$554,138, respectively. The total reserve amount of policy benefits after reclassification as of December 31, 2023 and 2022 are \$4,571,457,717 and \$4,530,866,645, respectively.

III. The related interest expense from the above discount-based insurance contract liabilities are as follows:

2023	2022
<u>\$ 152,017,726</u>	<u>\$ 150,122,874</u>

IV. The Consolidated Company's reserves of insurance contracts and financial instruments with discretionary participation features are recognised based on "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", not valued at fair value. The financial instruments with discretionary participation feature (variable interest rate annuity) reported in each report period by the Consolidated Company, is based on credited interest rate to accumulate the account value. Those financial instruments' discretionary participation feature has no quoted market price and the fair value could not be reliably

measured, so no need to disclose those fair value. At the end of each reporting date, except for paid under insurance terms, the Consolidated Company does not plan to sell those financial instruments.

(d) Special reserve

I. The components of special reserve are as follows:

	December 31, 2023	December 31, 2022
Reserve for real estate appreciation	\$ 1,354,257	\$ 1,354,257
Dividend payment reserve	7,997,773	7,836,501
	<u>\$ 9,352,030</u>	<u>\$ 9,190,758</u>

II. The movements of special reserve are as follows:

	2023	2022
At January 1	\$ 9,190,758	\$ 7,507,581
Dividend reserve provision	449,250	1,847,963
Dividend payment reserve written-off	(287,978)	(164,786)
At December 31	<u>\$ 9,352,030</u>	<u>\$ 9,190,758</u>

(e) Premium deficiency reserve

	2023	2022
At January 1	\$ 6,459,465	\$ 5,965,231
Provision	1,415,767	1,913,434
Recovery	(1,681,206)	(1,660,607)
Foreign exchange loss	7,807	241,407
At December 31	<u>\$ 6,201,833</u>	<u>\$ 6,459,465</u>

B. Property insurance

(a) Reinsurance contract assets are shown below:

	December 31, 2023	December 31, 2022
Claims recoverable from reinsurers	\$ 379,797	\$ 562,506
Due from reinsurers and ceding companies	229	7
Overdue receivable	379	1,898
Reinsurance contract assets reserve		
Ceded unearned premium reserve	1,132,196	1,359,114
Ceded claim reserve	1,121,607	1,257,010
Subtotal	2,634,208	3,180,535
Less: Allowance for loss	(2,649)	(8,873)
	<u>\$ 2,631,559</u>	<u>\$ 3,171,662</u>

I. Reinsurance contract assets neither overdue nor impaired were rated with S&P BBB+ or above, so it expects that the probability of default is remote.

II. Amount of reinsurance contract assets and aging analysis that were past due but not impaired or impaired are as follows:

	December 31, 2023	December 31, 2022
31-90 days	\$ 218,279	\$ 200,970
91-180 days	15,520	245,210
181-270 days	3,144	6,314
Over 271 days	379	1,836
	<u>\$ 237,322</u>	<u>\$ 454,330</u>

Aging of above claims recoverable from reinsurers, due from reinsurers and ceding companies were classified based on settlement date, reclassified as overdue receivables in 9 months.

III. Changes in allowance for loss on reinsurance contract assets are as follows:

	2023	2022
At January 1	\$ 8,873	\$ 5,925
(Reversal) provision of loss	(6,224)	2,948
At December 31	<u>\$ 2,649</u>	<u>\$ 8,873</u>

(b) Insurance contract liabilities are shown below:

	December 31, 2023	December 31, 2022
Unearned premium reserve	\$ 4,369,375	\$ 3,988,387
Claim reserve	3,184,074	3,057,846
Special reserve	2,389,535	2,334,920
Premium deficiency reserve	-	168,450
	<u>\$ 9,942,984</u>	<u>\$ 9,549,603</u>

I. Movements of unearned premium reserve and ceded unearned premium reserve are as follows:

	2023		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,988,387	\$ 1,359,114	\$ 2,629,273
Provision	4,369,375	1,132,196	3,237,179
Recovery	(3,988,387)	(1,359,114)	(2,629,273)
At December 31	<u>\$ 4,369,375</u>	<u>\$ 1,132,196</u>	<u>\$ 3,237,179</u>
	2022		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,796,828	\$ 1,565,575	\$ 2,231,253
Provision	3,988,387	1,359,114	2,629,273
Recovery	(3,796,828)	(1,565,575)	(2,231,253)
At December 31	<u>\$ 3,988,387</u>	<u>\$ 1,359,114</u>	<u>\$ 2,629,273</u>

II. Claim reserve and ceded claim reserve

Item	December 31, 2023		
	Claim reserve	Ceded claim reserve	Retention
Reported but not paid claim reserve	\$ 1,681,577	\$ 615,232	\$ 1,066,345
Incurred but not reported claim reserve	1,502,497	506,375	996,122
	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>

Item	December 31, 2022		
	Claim reserve	Ceded claim reserve	Retention
Reported but not paid claim reserve	\$ 1,667,808	\$ 793,921	\$ 873,887
Incurred but not reported claim reserve	1,390,038	463,089	926,949
	<u>\$ 3,057,846</u>	<u>\$ 1,257,010</u>	<u>\$ 1,800,836</u>

Movements of claim reserve and ceded claim reserve are as follows:

	2023		
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 3,057,846	\$ 1,257,010	\$ 1,800,836
Provision	3,184,074	1,121,607	2,062,467
Recovery	(3,057,846)	(1,257,010)	(1,800,836)
At December 31	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>

	2022		
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 2,294,616	\$ 1,059,923	\$ 1,234,693
Provision	3,057,846	1,257,010	1,800,836
Recovery	(2,294,616)	(1,059,923)	(1,234,693)
At December 31	<u>\$ 3,057,846</u>	<u>\$ 1,257,010</u>	<u>\$ 1,800,836</u>

III. Special reserve

Insurance type	December 31, 2023	December 31, 2022
Compulsory insurance	\$ 2,319,420	\$ 2,264,805
Others	70,115	70,115
	<u>\$ 2,389,535</u>	<u>\$ 2,334,920</u>

(i) Movements of special reserve are as follows:

	2023		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,264,805	\$ 12,471	\$ 57,644
Provision	54,615	-	-
At December 31	<u>\$ 2,319,420</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>
	2022		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,185,525	\$ 12,471	\$ 124,890
Provision	79,280	-	-
Recovery	-	-	(67,246)
At December 31	<u>\$ 2,264,805</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>

(ii) Pursuant to “Notes for Strengthening Reserve for Natural Disaster of Property Insurance Enterprises”, effective January 1, 2013, special reserve recognised under liabilities before December 31, 2012 shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon/flood insurance except for reserves for other types of insurance like compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons/flood insurance. These reserves shall then be recognised under liabilities. The remaining, net of income tax, shall be recognised as special reserves under stockholders’ equity in accordance with IAS 12. Besides, the aforementioned notes were amended in accordance with the Jin-Guan-Pao-Tsai Letter No. 11101405951 dated June 30, 2022, and were renamed “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”. According to the eighth point of the Notes, upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount for special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”. For the year ended December 31, 2022, the Consolidated Company’s property insurance business recovered \$67,246 from the risk-volatility reserve because pandemic related insurance products met with the condition of aforementioned Notes due to the Coronavirus Disease (Covid-19). Additionally, according to “Note for Strengthening Reserve of Pool Members Residential Earthquake” and “Regulations Governing the setting Aside of Liability Reserve Provision of Nuclear Energy Insurance”, effective January 1, 2013, special reserve that has been set aside shall be retained under special reserve for insurance

liability.

To the Consolidated Company, in case that the Subsidiary had considered not to apply the abovementioned notices, the effects on the net income, earnings per share, special reserve and total equity are listed below:

Item	2023		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 22,109,624	\$ 22,109,624	\$ -
Earnings per share (unit : NT dollars)	1.60	1.60	-
Special reserve	11,671,450	11,741,565	70,115
Total equity	343,934,254	343,878,162	(56,092)

Item	2022		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 31,499,840	\$ 31,553,637	\$ 53,797
Earnings per share (unit : NT dollars)	2.28	2.28	-
Special reserve	11,455,563	11,525,678	70,115
Total equity	281,632,341	281,576,249	(56,092)

- (iii) Starting from April, 1, 2021, the Consolidated Company's property insurance business should monthly provision NT\$30 for each insurance policy as reserves from the business fees of insurer of property insurance according to the Compulsory Automobile Liability Insurance Act Article 2, Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises Article 24-2, Item 1 which was authorised and set by Insurance Act Article 145, Item 2 and Article 148-3, Item 2. If the annual net premium had deficiency when property insurance industry engaged in this business, it should be offset by the reserve first, if it is not sufficient, it should be executed according to Compulsory Automobile Liability Insurance Act and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

(iv) The adjustments from changes in the reserve for premiums deficiency and ceded premium deficiency reserve were as follows:

2023			
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 168,450	\$ -	\$ 168,450
Recovery	(168,450)	-	(168,450)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2022			
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 85,731	\$ 39,617	\$ 46,114
Provision	168,450	-	168,450
Recovery	(85,731)	(39,617)	(46,114)
At December 31	<u>\$ 168,450</u>	<u>\$ -</u>	<u>\$ 168,450</u>

(23) Reserve for insurance with nature of financial instruments

The Consolidated Company issued financial instruments without discretionary participation features. As of December 31, 2023 and 2022, the details of and adjustment from change in the reserve for insurance with nature of financial instruments are as follows:

	December 31, 2023	December 31, 2021
Investment-linked product	<u>\$ 956,348</u>	<u>\$ 642,763</u>

	2023	2022
At January 1	\$ 642,763	\$ 501,767
Net provision of statutory reserve	313,845	134,195
Foreign exchange (gain) loss	(260)	6,801
At December 31	<u>\$ 956,348</u>	<u>\$ 642,763</u>

(24) Reserve for foreign exchange valuation

A. In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company set aside reserve for foreign exchange valuation under liabilities. Movements are as follows:

	2023	2022
At January 1	\$ 42,592,110	\$ 7,392,686
Provision		
Compulsory provision	1,874,973	4,621,353
Additional provision	2,740,828	49,647,506
Subtotal	4,615,801	54,268,859
Recovery	(38,532,909)	(19,069,435)
At December 31	<u>\$ 8,675,002</u>	<u>\$ 42,592,110</u>

B. The accounts eligible or ineligible for the reserve for foreign exchange valuation are as follows:

Item	2023		
	Ineligible amount	Eligible amount	Impact
Net income	(\$ 5,024,063)	\$ 22,109,624	\$ 27,133,687
Earnings per share (unit : NT dollars)	(0.36)	1.60	1.96
Reserve for foreign exchange valuation	-	8,675,002	8,675,002
Total equity	350,864,642	343,878,162	(6,986,480)

Item	2022		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 59,713,176	\$ 31,553,637	(\$ 28,159,539)
Earnings per share (unit : NT dollars)	4.32	2.28	(2.04)
Reserve for foreign exchange valuation	-	42,592,110	42,592,110
Total equity	315,696,416	281,576,249	(34,120,167)

(25) Provisions

	December 31, 2023	December 31, 2022
Provisions for employee benefits	\$ 3,610,496	\$ 3,063,179
Other provisions	229,634	252,094
	<u>\$ 3,840,130</u>	<u>\$ 3,315,273</u>

A. Provisions of the Consolidated Company include employee benefits, lawsuits, claims and dispute on labor insurance. Employee benefits and dispute on labor insurance are described in Note 6(26).

B. The details of other provisions are listed below:

	2023	2022
At January 1	\$ 252,094	\$ 232,321
Provisions	5,492	27,163
Recovery	(27,952)	(7,390)
At December 31	<u>\$ 229,634</u>	<u>\$ 252,094</u>

The actual amount and timing of payment of the above lawsuits, claims and new labor pension dispute between agents depends on each result of lawsuit, the policyholder's further requests or the competent authority's decision. The Consolidated Company uses professional legal advice or the percentage of occurrence to estimate the reasonability of provisions.

(26) Post-employee benefits

A. Defined benefit plans

(a) The Consolidated Company has a defined benefit pension plan (the "Plan"), starting from April, 1998 in accordance with the "Labor Standards Law", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Benefits under the Plan are based on participants' length of service and

average salaries at the time of retirement, with a benefit ceiling of 45 months of salary. The Consolidated Company makes a monthly provision and contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The remaining is recorded as accrued pension cost. The retirement fund balance is not included in the financial statements.

The Consolidated Company also sets up an employee welfare measure of group term life insurance, which applies to all employees who were on board before April 17, 2009. Upon retirement, the renewal of group term life insurance will be the same as at the time of retirement during the first year, and decrease by 50% of insurance after the year of retirement. It is valid for employees' whole life and all of the insurance payments are shouldered by the Consolidated Company.

(b) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 4,939,473	\$ 4,337,433
Fair value of plan assets	(1,328,977)	(1,274,254)
Net defined benefit liability	<u>\$ 3,610,496</u>	<u>\$ 3,063,179</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>2023</u>			
Balance at January 1	\$ 4,337,433	\$ 1,274,254	\$ 3,063,179
Recognised in profit or loss:			
Current service cost	70,315	-	70,315
Interest expense/income	83,560	20,400	63,160
Current pension costs (Note)	<u>153,875</u>	<u>20,400</u>	<u>133,475</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	6,656	(6,656)
Change in financial assumptions	547,851	-	547,851
Experience adjustments	<u>53,739</u>	<u>-</u>	<u>53,739</u>
	<u>601,590</u>	<u>6,656</u>	<u>594,934</u>
Pension fund contribution	-	39,293	(39,293)
Paid pension	<u>(153,425)</u>	<u>(11,626)</u>	<u>(141,799)</u>
Balance at December 31	<u>\$ 4,939,473</u>	<u>\$ 1,328,977</u>	<u>\$ 3,610,496</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
Balance at January 1	\$ 5,535,298	\$ 1,144,200	\$ 4,391,098
Recognised in profit or loss:			
Current service cost	106,614	-	106,614
Interest expense/income	39,850	5,645	34,205
Current pension costs (Note)	146,464	5,645	140,819
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	89,998	(89,998)
Change in demographic assumptions	7,693	-	7,693
Change in financial assumptions	(1,105,677)	-	(1,105,677)
Experience adjustments	(90,484)	-	(90,484)
	(1,188,468)	89,998	(1,278,466)
Pension fund contribution	-	43,780	(43,780)
Paid pension	(155,861)	(9,369)	(146,492)
Balance at December 31	<u>\$ 4,337,433</u>	<u>\$ 1,274,254</u>	<u>\$ 3,063,179</u>

Note: Including capitalised intangible assets amounting to \$469 and \$587 in 2023 and 2022, respectively.

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Consolidated Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Consolidated Company has no right to participate in managing and operating that fund and hence the Consolidated Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used are as follows:

Retirement benefits for employees		December 31, 2023	December 31, 2022
Discount rate		1.25%	1.60%~1.80%
Future salary increases		2.70%~3.00%	2.70%~3.00%
Expected return on plan assets		1.25%	1.60%~1.80%

Group life insurance for employees		December 31, 2023	December 31, 2022
Discount rate		1.65%	2.55%
Future salary increases		2.70%	2.70%

Assumptions regarding future mortality experience are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2023	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 203,923)	\$ 218,870	\$ 102,413	(\$ 99,156)

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2022	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 166,231)	\$ 177,509	\$ 93,776	(\$ 90,899)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Consolidated Company in 2024 amount to \$58,970.

(g) As of December 31, 2023, the weighted average duration of the retirement plan, employee welfare measure of group term life insurance of the Company, and the retirement plan of the subsidiary are 8.70, 29.60 and 9.70 years, respectively.

B. Defined contribution plans

Effective July 1, 2005, the Consolidated Company has established a defined contribution pension plan (the "New Plan") in accordance with the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Consolidated Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pension

expenses recognised by the Consolidated Company are as follows:

2023		2022	
\$	315,420	\$	302,925

Effective February 24, 2012, the Consolidated Company has provided labor insurance for certain field agents in accordance with order issued by the Bureau of Labor Insurance. For those field agents who have been enrolled in labor insurance under the order issued by the Bureau of Labor Insurance, the Consolidated Company is supposed to make contribution of labor pension for them accordingly. Thus, the above amounts include labor pension costs of those field agents.

The Consolidated Company has established the Employees' Retirement Fund Supervisory Committee (the "Committee"), based on the Employees' Retirement Fund Custody and Distribution Guidelines (the "Guidelines") in August, 2005 that apply to appointed managers, to administer the retirement fund. The Consolidated Company makes a monthly provision equal to at least 6% of appointed managers' salaries to the retirement fund for the Committee to handle. The Consolidated Company recognised pension expenses as follows:

2023		2022	
\$	14,218	\$	13,910

Note: Including pension expenses capitalised in construction in progress and intangible assets amounting to \$2,049 and \$2,612 in 2023 and 2022, respectively.

- C. Regarding the issue that some field agents requested the Consolidated Company's life insurance business to appropriate pension funds for them:

The Consolidated Company's life insurance business has always assigned work to the agents since 1970 and it is affirmed through 49 rulings rendered by civil courts that the relationship between field agents and the Consolidated Company's life insurance business is not a labor contractual relationship. However, a few agents claimed that it is a labor contractual relationship and hence legal disputes over Labor Standards Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, and National Health Insurance Act have been raised. Earlier the administrative court dismissed the petition of the Consolidated Company's life insurance business for related administrative remedy. The administrative court, however, interprets the laws inconsistently with the abovementioned rulings rendered by the civil court and thus gives rise to conflict between the two adjudicative bodies.

In addition, the Executive Yuan had revoked the penalty decisions made by the Department of Labor, Taipei City Government with 5 petition decisions while Taipei City Government also revoked the penalty decisions made by the Department of Labor, Taipei City Government with 2 petition decisions.

It indicates that what a few field agents contested is legally contentious. To end the disputes, the Consolidated Company's life insurance business petitioned for the interpretation by Grand Justices. On October 21, 2016, the Judicial Yuan Interpretation No. 740 was released and stated that whether the labor contract entered by an insurance agent and the assigning company falls under the labor contract stipulated in subparagraph 6 of Article 2 of Labor Standards Act depends on whether the labor debtor (insurance agent) is able to decide the method of labor (including working hours) and whether he/she bears the business risk (e.g. the payment is based on the premium accrued from the policy he/she solicited), instead of determining the nature of contract in compliance with the provisions of Regulations

Governing the Supervision of Insurance Solicitors.

As the J.Y. Interpretation illustrates, the relationship between the Consolidated Company's life insurance business and the agents does not fall under the definition of labor contract provided in the Labor Standards Act and thus related regulations such as Labor Standards Act does not apply. The Consolidated Company's life insurance business is not obliged to appropriate pension funds for field agents. The Consolidated Company's life insurance business respects the J.Y. Interpretation, complies with the substance of the interpretation, and follows the appropriate proceedings to settle the disputes.

(27) Other liabilities

	December 31, 2023	December 31, 2022
Advance receipts and temporary credits	\$ 1,565,830	\$ 3,131,176
Guarantee deposits received	22,612,388	2,504,781
Accrued policy dividends	25,039,043	22,763,403
	<u>\$ 49,217,261</u>	<u>\$ 28,399,360</u>

(28) Equity

A. Capital

As at December 31, 2023 and 2022, the Company's authorised capital amounted to \$180,000,000 and \$150,000,000, respectively, whereas paid-in capital are both \$138,219,000. All stocks issued by the Company are common stocks with par value at NT\$10. All proceeds from shares issued have been collected.

B. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. As of December 31, 2023, all the capital surplus is the premium on issuance of shares exceeding par value.

C. Retained earnings and earnings distribution

(a) The Company's Articles of Incorporation provided that where a profit is accrued during the year, the earnings should be reserved to pay all taxes and dues and offset accumulated deficit. Then set aside legal reserve and appropriate special reserve out of the remaining earnings in accordance with the laws and regulations of competent authority. For the accumulated amount of debit balance on other equity interest of prior periods, the same amount of special reserve should be provisioned from prior undistributed earnings. The distribution plan for the remaining plus beginning undistributed earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. The dividend distribution of the Company is based on a strong foundational structure, well-maintained capital adequacy ratio and focused on the benefit of stockholders. The percentage between stock dividend and cash dividend is adjusted based on the actual annual earnings and capital position in the current year.

Legal reserve can be used for covering accumulated deficit. The use of legal reserve for the issuance of new stocks or cash to shareholders is permitted, provided that the

distribution of the reverse is limited to the portion in excess of 25% of the Company's paid-in capital. Information about the appropriation of earnings by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. For information relating to employees' compensation (bonus), please refer to Note 6(36).

- (b) On June 7, 2023 and June 15, 2022, the Company held the shareholders' meeting and approved the appropriation of earnings for the years ended December 31, 2022 and 2021 as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Legal reserve	\$ 6,507,515	\$ 11,992,203
Special reserve	26,030,095	41,822,779
Dividend	-	6,146,000
Dividend per share (unit : NT dollars)	-	0.44

- (c) Special reserve under equity

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Catastrophe reserve and risk claim reserve	\$ 34,803,976	\$ 33,206,202
Reserve for foreign exchange valuation	41,947,545	37,176,681
Reserve for real estate appreciation recovery	5,417,029	5,417,029
The net affected amounts of adoption of the fair value of investment property	19,731,662	20,693,800
Gain from disposal of the financial debt instruments before their maturities	68,365,324	69,727,108
Debit balance on other equity interest	25,540,433	-
Variable interest rate products	5,605,649	5,605,649
Others	9,095,219	8,966,218
	<u>\$ 210,506,837</u>	<u>\$ 180,792,687</u>

I. Catastrophe reserve and risk claim reserve

- (i) The net movement of special reserve after tax

The additional provision of special reserve should be recognised to "special reserve" under equity after tax. In addition, when the special reserve is insufficient to write off or recover with respect to the amounts that can be written-off or recovered, the "special reserve under equity" is used to write-off or recover the deficiency.

- (ii) Risk claim reserve recovered

Pursuant to regulations on appropriation of provisions for insurance industry, the Company recovered after-tax balance of special reserve for hazard change. In accordance with Tai-Tsai-Bao Letter No. 0920700594 issued by Ministry of

Finance on January 24, 2003, the amount is classified as special reserve after being recognised at the shareholders' meeting in the next year. Any other appropriation or purpose of use is subject to an approval.

II. Reserve for foreign exchange valuation

- (i) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises, life insurance enterprises should recognise the saved hedging cost to the special reserve under equity annually. The special reserve under equity can be made in the subsequent years when the earnings of current year are insufficient. The aforementioned special reserve under equity only can be reversed to increase capital or offset against accumulated deficit.
- (ii) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises and Jin-Guan-Bao-Tsai Letter No.1090490453, the Company shall set aside 10% of after-tax net income and the amount of other profit (or loss) items adjusted to the current year's undistributed earnings in the current year as a special reserve except upon obtaining approval from FSC.
- (iii) According to the "Regulation Governing the Setting Aside of Various Reserve for Insurance Enterprises", the initial amount of reserve for foreign exchange amounting to \$3,486,612 has been entirely transferred to special reserve under equity.

III. Reserve for real estate appreciation

In accordance with Jin-Guan-Bao-Tsai Letter No. 10102515281 dated November 30, 2012, the Company recovered an amount from real estate value-added special reserve for the year ended December 31, 2013 amounting to \$5,417,029, which has been transferred to special reserve under equity as approved at shareholders' meeting in 2014.

IV. Fair value measurement of investment property

According to Jin-Guan-Bao-Tsai Letter No. 10402501001 dated January 23, 2015, the life insurance enterprises should set aside special reserve from the remainder of \$12,143,233 for net effect of subsequent measurement of investment property arising from first-time adoption of fair value model less additional liability reserve that should be set aside for valid contract fair value assessment. The remainder is used only for making up the insufficient amount of liability reserve in the subsequent periods based on the valid contract fair value assessment as approved by the competent authority and stabilizing financial structure in provision of additional reserve in connection with the second phase of IFRS 4, 'Insurance Contracts' in the future. In addition, in pursuant to Jin-Guan-Bao-Tsai Letter No. 10904917647 dated May 11, 2020, the aforementioned letter was revoked. The life insurance enterprises should set aside special reserve from net effect of subsequent measurement of investment property arising from first-time adoption of fair value model and net cumulative incremental gains after tax arising from changes in fair value in subsequent periods, which is not allowed to distribute under the regulation specified in Jin-Guan-Bao-Tsai Letter No. 10904917647, and the special reserve is used only for making up the insufficient amount of insurance contract liabilities in the subsequent periods based on the valid contract in accordance with IFRS 17, the life insurance business's fair value assessment on valid insurance contract

liabilities and other designated valuation method. If the investment property whose special reserve had been used to make up the insufficient amount of insurance contract liabilities can be reversed based on the its original provision ratio after having approval. If the reversed special reserve would be included in the earnings distribution, it should be in accordance with Jin-Guan-Bao-Tsai Letter No. 10202501992.

V. Gain from disposal of the financial debt instruments before their maturities

In accordance with Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, beginning from January 1, 2019, once the Company disposes the financial debt instruments before their maturities, the disposal gain and loss, after tax, it should be fully transferred from retained earnings to special reserve, which should be amortised and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity period cannot be determined.

(i) Financial assets not measured at fair value.

(ii) Financial assets whose changes are recognised in other comprehensive income measured at fair value.

(iii) Financial assets whose changes are recognised in profit or loss measured at fair value and applied overlay approach.

Fund beneficiary certification, short-term notes and bills, equity preference share and position of segregate asset in relation to participating policy or floating-rate insurance policy can be excluded in the abovementioned unmatured debt instruments.

For the year ended December 31, 2022, the net reversal for special reserve amounted to \$1,361,784 in accordance with regulations and self-assessment, which had been approved at the shareholders' meeting in 2023, and the accumulated balance of special reserve after reversal was \$68,365,324.

As of December 31, 2023 and 2022, in accordance with the regulations mentioned above, the special reserve will be provisioned and the balances will be \$68,365,324 and \$69,727,108, respectively. The changes of \$4,687,044 in 2023 will be reversed from special reserve after being resolved at the shareholders' meeting in the next year, and the accumulated balance of special reserve will be \$63,678,280.

Gain or loss on derecognition of debt instruments	Amount
Accumulated balance of profit or loss on derecognition of debt instruments as of December 31, 2022	\$ 68,365,324
Provision for after-tax amount of profit or loss on derecognition of debt instruments for the current year (Note)	42,121
Current year's net recovered amount	(4,729,165)
Accumulated balance of profit or loss on derecognition of debt instruments at the end of the year	<u>\$ 63,278,280</u>

Note: It was a provision, arising from the realised capital gains of \$52,652 for the current year, net of income tax of \$10,531.

Year	The accumulated profit from the derecognition of debt instruments, as of December 31, 2022, to be recovered (provisioned) in the future (a)	Provisioned (recovered) amount after tax of profit or loss from derecognition for the current year (b)	The accumulated profit from the derecognition of debt instruments, as of December 31, 2023, to be recovered (provisioned) in the future (Note) (c)=(a)+(b)
2023	\$ 4,708,212	\$ 20,953	\$ 4,729,165
2024	4,622,617	26,709	4,649,326
2025	4,495,091	26,709	4,521,800
2026	4,469,591	52,503	4,522,094
2027	4,363,493	52,912	4,416,405
2028	4,333,507	53,351	4,386,858
2029	3,718,772	40,641	3,759,413
2030	3,054,353	25,583	3,079,936
2031	2,640,454 (	19,876)	2,620,578
2032	2,601,117 (	22,262)	2,578,855
2033 to 2042	20,887,384 (	50,501)	20,836,883
2043 to 2052	8,408,513 (	164,601)	8,243,912
2053 to 2055	62,220	-	62,220
Total	\$ 68,365,324	\$ 42,121	\$ 63,678,280

Note: The assessment year was 2023 and the total amount was not including the amount of year 2023.

VI. Debit balance on other equity interest

According to Jin-Guan-Bao-Tsai Letter No. 10102508861, the Company shall set aside special reserve from the debit balance on other equity items at the end of the reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to Jin-Guan-Bao-Tsai Letter No. 11004920441 starting from the distribution of 2021 earnings, the Company should provision from prior undistributed earnings for the accumulated amount of the debit balance on other equity interest of the prior periods as special reserve which could not be distributed. Additionally, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when distributing earnings, the changes in the fair value from reclassified financial assets were accounted into the debit balance on other equity interest, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently, when the total debit changes (including disposals) in the fair value from reclassification of financial assets and debit balance on other equity interest is reversed, the reversed amount could be included in the distributable earnings. Refer to Note 14(8) for information of the Consolidated Company's reclassification of financial assets.

VII. Variable interest rate products

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804963711 dated January 16, 2020, beginning from July 1, 2020, if the Company still has distributable earnings after the appropriation of the abovementioned special reserves, it should set aside the special reserve in an amount equal to 20% of after-tax increase in variable interest rate product assets' value exceeding the reserve provision in each current-year segregate account. If the Company will appropriate the gain and loss from disposal of the segregate account's financial debt instruments before their maturities, based on Jin-Guan-Bao-Tsai Letter No. 10804501381 dated June 25, 2019, to this year's special reserve, the amount should be excluded from this year's calculation for Jin-Guan-Bao-Tsai Letter No. 10804963711's special reserve. The cap of this special reserve will be equal to the differences, net of tax, between the current year's asset value and the reserve provision in the segregate account. In the future, if the balance of this reserve exceeds the cap, the difference between the balance and the cap can be reversed by the Company in that financial year. The aforementioned asset value needs to exclude unrealised gain or loss on financial assets at fair value through other comprehensive income and gain or loss on reclassification using overlay approach.

VIII. Others

(i) Special reserve for Fintech development

According to Jin-Guan-Bao-Tsai Letter No.10502066461 dated July 13, 2016, insurance companies are required to appropriate 0.5% to 1% of annual net income as special reserve for the years ended December 31, 2016 to 2018. And from the next year of appropriating special reserve, the companies can reverse to the extent not beyond the same amount of special reserve where expenses incurred for employees trainings and protection of employees' right. However, in pursuant to Jin-Guan-Pao-Tsai Letter No. 10804932431 dated July 30, 2019, the companies are no longer required to set aside the special reserve starting from 2019. And the special reserve set aside in the previous years can be used for the aforementioned expenditures.

(ii) Dividend offset reserve

According to Jin-Guan-Bao-Tsai Letter No. 10600012450, the Company has reclassified \$729,626, which was the after-tax amount of dividend offset reserve resulting from the transfer of assets and liabilities by the Chaoyang branch on May 2, 2017 (\$879,067 before-tax), from insurance contract liabilities into special reserve. Any change in dividend offset reserve in the following reporting periods will also be recognised in special reserve in an after-tax amount. The special reserve mentioned above neither be distributed as dividends nor use in other purposes without the approval of the component authority.

(iii) Disability support insurance products

In accordance with Jin-Guan-Bao-Tsai Letter No. 11004908861 dated March 26, 2021, beginning from the year ending 2020, the life insurance business should recognise special reserve for all its net profit after tax from disability insurance. If current net profit is insufficient to cover the amount, it should be

made in the subsequent years. In the subsequent years, if there is a deficit generated from disability support insurance, the special reserve could be reversed in the originally recognised amount.

(iv) Travel accident insurance

In accordance with Jin-Guan-Bao-Tsai Letter No. 10904939031 dated October 29, 2020, in order to strengthen the financial structure of insurance industry, beginning from the year ending of 2021, after the end of each financial year, to act in accordance with the “Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance” to provision premium income as special reserve. This provision amount is calculated as follows: 10% of total premium income, which is calculated from insurance amount and number of insurance days, minus 20% of nominal tax.

(v) Other special reserve under equity

The Company provisioned special reserve of 2021 according to the approval of the FSC Insurance Bureau to strengthen the solvency of the Company.

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D. Other equity interest

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2023	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	(\$ 120,927,991)
Amounts recognised in other comprehensive income	1,040	1,040,456	80,453	44,834,450	45,956,399
Amounts included in equity adjustment items of associates accounted for using equity method	860	473	-	-	1,333
Amounts reclassified to profit or loss	-	642,116	-	-	642,116
Disposal of equity instruments at fair value through other comprehensive income	-	180	-	-	180
Effect on income tax	-	(323,304)	(5,643)	(5,601,193)	(5,930,140)
December 31, 2023	<u>(\$ 6,242)</u>	<u>(\$ 22,573,394)</u>	<u>\$ 221,965</u>	<u>(\$ 57,900,432)</u>	<u>(\$ 80,258,103)</u>

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2022	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 135,408,352
Amounts recognised in other comprehensive income	13,700	(438,619,080)	-	(193,621,762)	(632,227,142)
Amounts reclassified to profit or loss	-	1,274,799	-	-	1,274,799
Disposal of equity instruments at fair value through other comprehensive income	-	38,832	-	-	38,832
Effect on reclassification of financial assets	-	326,500,148	-	-	326,500,148
Effect on income tax	-	21,067,803	-	27,009,217	48,077,020
December 31, 2022	<u>(\$ 8,142)</u>	<u>(\$ 23,933,315)</u>	<u>\$ 147,155</u>	<u>(\$ 97,133,689)</u>	<u>(\$ 120,927,991)</u>

On September 29, 2022, the Board of Directors of the Company approved the change of the business model on managing financial assets, and the reclassification date was October 1, 2022. Refer to Note 14(8) for the information.

(29) Income tax

A. Components of income tax expense are as follows:

	2023	2022
Current income tax		
Current tax on profits for the year	\$ -	\$ 7,693
Prior year income tax underestimation (overestimation)	127,652 (	12,131)
Foreign tax paid	1,843,708	2,801,150
Land value increment tax	4,787	44
Deferred tax		
Origination and reversal of temporary differences	314,533	5,511,935
Income tax expense	<u>\$ 2,290,680</u>	<u>\$ 8,308,691</u>

B. Reconciliation between income tax expense and accounting profit:

	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 4,880,061	\$ 7,972,465
Adjustments:		
Exempt income	(4,234,856) (	2,387,490)
Effect from items disallowed by tax regulation	38,717	38,771
Prior year income tax underestimation (overestimation)	127,652 (	12,131)
Adjustment of prior year's income tax -net operating loss carryforward and others	(63,192) (	11,416)
Foreign tax paid	1,843,708	2,801,150
Reserve for land value incremental tax	140,197	483
Land value increment tax	4,787	44
Effect of house and land transactions income tax	-	3,253
Effect of alternative minimum tax	59,796 (	106,572)
Realised investment losses	(515,024)	-
Others	8,834	10,134
Income tax expense	<u>\$ 2,290,680</u>	<u>\$ 8,308,691</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ 41,588,544	\$ 4,700,737	\$ -	\$ 46,289,281
Allowance for bad debts that exceed the limit for tax purpose	1,555	(377)	-	1,178
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	13,191,478	(60,551)	(5,601,193)	7,529,734
Unrealised loss from financial assets at fair value through other comprehensive income	5,717,132	-	(323,304)	5,393,828
Accrued expenses and others	38,618	(13,978)	-	24,640
Unrealised pension cost	585,242	(9,409)	-	575,833
Remeasurement of defined benefit obligations	30,530	-	118,988	149,518
Loss on impairment of financial assets	1,975,891	281,671	-	2,257,562
Total	<u>\$ 63,128,990</u>	<u>\$ 4,898,093</u>	<u>(\$ 5,805,509)</u>	<u>\$ 62,221,574</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 2,274,778)	(\$ 4,598,629)	\$ -	(\$ 6,873,407)
Unrealised gain on foreign exchange	(16,975,340)	(343,995)	-	(17,319,335)
Unrealised increments of investment properties	(809,786)	432,645	-	(377,141)
Depreciation of investment properties	(2,329,893)	(562,788)	-	(2,892,681)
Revaluation increment of real estate	(19,392)	338	(5,643)	(24,697)
Reserve for land value incremental tax	(1,476,942)	(140,197)	-	(1,617,139)
Total	<u>(\$ 23,886,131)</u>	<u>(\$ 5,212,626)</u>	<u>(\$ 5,643)</u>	<u>(\$ 29,104,400)</u>

2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ -	\$ 41,588,544	\$ -	\$ 41,588,544
Allowance for bad debts that exceed the limit for tax purpose	855	700	-	1,555
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	-	71,470	13,120,008	13,191,478
Unrealised loss from financial assets at fair value through other comprehensive income	-	-	5,717,132	5,717,132
Accrued expenses and others	83,179	(44,756)	-	38,423
Unrealised pension cost	594,990	(9,748)	-	585,242
Remeasurement of defined benefit obligations	286,224	-	(255,694)	30,530
Unrealised loss on foreign exchange	30,705,871	(30,705,676)	-	195
Loss on impairment of financial assets	634,071	1,341,820	-	1,975,891
Total	<u>\$ 32,305,190</u>	<u>\$ 12,242,354</u>	<u>\$ 18,581,446</u>	<u>\$ 63,128,990</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 1,699,471)	(\$ 575,307)	\$ -	(\$ 2,274,778)
Unrealised gain from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	(13,924,311)	35,102	13,889,209	-
Unrealised gain from financial assets at fair value through other comprehensive income	(15,350,671)	-	15,350,671	-
Unrealised gain on foreign exchange	-	(16,975,340)	-	(16,975,340)
Rent-stabilised recognition	(273)	273	-	-
Unrealised increments of investment properties	(1,066,561)	256,775	-	(809,786)
Depreciation of investment properties	(1,834,246)	(495,647)	-	(2,329,893)
Revaluation increment of real estate	(19,730)	338	-	(19,392)
Reserve for land value incremental tax	(1,476,459)	(483)	-	(1,476,942)
Total	<u>(\$ 35,371,722)</u>	<u>(\$ 17,754,289)</u>	<u>\$ 29,239,880</u>	<u>(\$ 23,886,131)</u>

D. The amount of the Consolidated Company's unused deficits and its time limit are as follows:

December 31, 2023		
Year of occurrence	Unused deficits	Final deficits year
2022 (Declared)	\$ 207,906,298	2032
2023 (Estimated)	23,524,039	2033
	<u>\$ 231,430,337</u>	
December 31, 2022		
Year of occurrence	Unused deficits	Final deficits year
2022 (Estimated)	<u>\$ 207,942,721</u>	2032

E. The income tax expense (gain) relating to components of other comprehensive income is as follows:

	2023	2022
Actuarial gain or loss arising on defined benefit plans	(\$ 118,988)	\$ 255,694
Unrealised gain or loss on financial assets at fair value through other comprehensive	323,304	(21,067,803)
Other comprehensive income on reclassification under the overlay approach	5,601,193	(27,009,217)
Revaluation increment of real estate	5,643	-
	<u>\$ 5,811,152</u>	<u>(\$ 47,821,326)</u>

F. Except for 2020, the Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. However, the Company has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years ended December 31, 2016 to 2019; and the Company has applied for recheck by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the year ended December 31, 2021.

The income tax returns of the subsidiary through 2021 have been assessed and approved by the Tax Authority.

G. The Consolidated Company recognised deferred tax assets given that the future taxable income is sufficient for deductible temporary difference after taking into account future income growth and rate of return.

(30) Earnings per share

Earnings per share of the Consolidated Company with simple capital structure are as follows:

	2023	2022
Net income	\$ 22,109,624	\$ 31,553,637
Weighted average shares outstanding (unit: thousand shares)	13,821,900	13,821,900
Earnings per share (unit: NT dollars)	\$ 1.60	\$ 2.28

(31) Retention earned premium income

2023					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 250,726,327	\$ 4,500,499	\$ 760,905	\$ 7,173,469	\$ 263,161,200
Reinsurance premium written	-	-	251,352	37,427	288,779
Less:					
Reinsurance premium ceded	(4,316,136)	-	(314,039)	(1,951,528)	(6,581,703)
Net change in unearned premiums reserve	(712,262)	(239)	(9,215)	(598,691)	(1,320,407)
Retention earned premium income	<u>\$ 245,697,929</u>	<u>\$ 4,500,260</u>	<u>\$ 689,003</u>	<u>\$ 4,660,677</u>	<u>\$ 255,547,869</u>
2022					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 268,187,801	\$ 8,095,305	\$ 721,324	\$ 5,935,316	\$ 282,939,746
Reinsurance premium written	-	-	246,317	47,618	293,935
Less:					
Reinsurance premium ceded	(3,974,908)	-	(297,942)	(2,231,416)	(6,504,266)
Net change in unearned premiums reserve	(683,958)	(213)	(11,201)	(386,819)	(1,082,191)
Retention earned premium income	<u>\$ 263,528,935</u>	<u>\$ 8,095,092</u>	<u>\$ 658,498</u>	<u>\$ 3,364,699</u>	<u>\$ 275,647,224</u>

(32) Retention claims and policy benefits payments

2023					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Claims and policy benefits payments	\$ 305,563,999	\$ 34,481,524	\$ 489,081	\$ 3,625,459	\$ 344,160,063
Reinsurance claims paid	-	-	229,567	2,782	232,349
Less:					
Claims recovered from reinsurers	(1,763,143)	-	(287,021)	(1,200,763)	(3,250,927)
Retention claims and policy benefits payments	<u>\$ 303,800,856</u>	<u>\$ 34,481,524</u>	<u>\$ 431,627</u>	<u>\$ 2,427,478</u>	<u>\$ 341,141,485</u>
2022					
	Life insurance		Property insurance		Total
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	
Claims and policy benefits payments	\$ 322,620,825	\$ 2,728,374	\$ 391,423	\$ 4,592,361	\$ 330,332,983
Reinsurance claims paid	-	-	218,448	2,267	220,715
Less:					
Claims recovered from reinsurers	(1,473,367)	-	(231,696)	(1,293,678)	(2,998,741)
Retention claims and policy benefits payments	<u>\$ 321,147,458</u>	<u>\$ 2,728,374</u>	<u>\$ 378,175</u>	<u>\$ 3,300,950</u>	<u>\$ 327,554,957</u>

(33) Interest income

	2023	2022
Cash and cash equivalents	\$ 2,263,127	\$ 1,004,277
Financial assets at fair value through other comprehensive income	11,380,258	41,713,716
Financial assets at amortised cost	120,098,843	79,578,906
Loans	5,258,853	5,313,428
Refundable deposits of derivative instruments	152,639	217,060
	<u>\$ 139,153,720</u>	<u>\$ 127,827,387</u>

(34) Expected credit loss (reversal) from investments and non-investments

	2023	2022
Operating revenue-expected credit loss (reversal) from investments		
Debt instrument investments measured at fair value through other comprehensive income	\$ 10,677	\$ 2,075,387
Financial assets at amortised cost	590,566	4,437,066
Bond interest receivable	834,917	211,739
Loans and loan interest receivable	(77,798)	(84,287)
Lease payments receivable	3,237	(2,776)
	<u>1,361,599</u>	<u>6,637,129</u>
Operating expense-expected credit loss (reversal) from non-investments		
Receivable (excluding bond interest receivable and loan interest receivable)	17,496	5,846
Expected credit loss (reversal)	<u>\$ 1,379,095</u>	<u>\$ 6,642,975</u>

(35) Financial costs

	2023	2022
Debt instrument investments	\$ 1,524,419	\$ 1,446,500
Default interest for claims	53,370	37,118
Bonds sold under repurchase agreements	258,820	27,386
Lease liabilities	6,832	5,043
Refundable deposits of derivative instruments	72,233	13,705
	<u>\$ 1,915,674</u>	<u>\$ 1,529,752</u>

(36) Employee benefit expenses, depreciation and amortisation

	2023	2022
Employee benefit expenses		
Salaries	\$ 6,734,065	\$ 6,564,881
Employees' insurance	468,427	451,477
Pension	460,595	454,455
Directors' remuneration	59,264	71,531
Others	274,158	298,210
	<u>\$ 7,996,509</u>	<u>\$ 7,840,554</u>
Depreciation and amortisation	<u>\$ 2,292,471</u>	<u>\$ 2,096,998</u>

A. As of December 31, 2023 and 2022, the Consolidated Company had 4,981 and 4,865 employees, respectively. The number of directors that were not concurrently employed were 19 and 18, respectively.

B. The Consolidated Company's Articles of Incorporation provided that the annual income, after deducting accumulated deficit, if any, shall be appropriated by no lower than 0.5% as employees' compensation for the Consolidated Company. For the years ended December 31, 2023 and 2022, the employees' compensation was accrued at \$124,038 and \$202,077, respectively. The amount was estimated with 0.5% based on the profitability of the Consolidated Company. There was no difference between the amounts resolved by the Board of Directors in 2022 amounting to \$202,077 and the amounts recognised in the 2022 financial statements. Information about employees' compensation of the Consolidated Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(37) Supplemental cash flow information

Investing activities with partial cash payments:

	2023	2022
Acquisition of investment property	\$ 1,645,295	\$ 3,480,419
Acquisition of property and equipment	795,783	1,308,221
Increase in intangible assets	537,097	542,494
Add: Payable at beginning of year- investment property	485,201	93,672
Add: Payable at beginning of year- property and equipment	602	-
Add: Payable at beginning of year- intangible assets	10,533	986
Less: Payable at ending of year - investment property (	565,292) (	485,201)
Less: Payable at ending of year - property and equipment	(1,004) (	602)
Less: Payable at ending of year - intangible assets	(9,501) (	10,533)
Cash payments	<u>\$ 2,898,714</u>	<u>\$ 4,929,456</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Ruen Chen Investment Holding Co., Ltd.	Consolidated Company's parent
Ruentex Development Co., Ltd.	Entity having significant influence
Ruentex Industries Co., Ltd.	Entity having significant influence
Pou Chen Corporation	Entity having significant influence
Nan Shan Plaza Property Management Co., Ltd.	Consolidated Company's affiliate
Fuh Hwa Securities Investment Trust Co., Ltd.	Consolidated Company's affiliate (Note)
Huei Hong Investment Co., Ltd.	Other related party
Chang Chun Investment Co., Ltd.	Other related party
Yi Tai Investment Co., Ltd.	Other related party
Ruentex Interior Design Inc.	Other related party
Ruentex Management & Maintenance Co., Ltd.	Other related party
Ruentex Engineering & Construction Co., Ltd.	Other related party
Ruentex Materials Co., Ltd.	Other related party
Ruen Fu Newlife Corp.	Other related party
Kompass Global Sourcing Solutions Ltd.	Other related party
Ruentex Security Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Development Co., Ltd.	Other related party
Ruentex Bai-Yi Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party
Ruentex Innovative Development Co., Ltd.	Other related party
Runyang Construction Co., Ltd.	Other related party
Ruen Shin Healthcare Co., Ltd.	Other related party
Shing Yen Construction Development Co., Ltd.	Other related party
Nan Shan Life Charity Foundation	Other related party
Sunny Friend Environmental Technology Co., Ltd.	Other related party
OBI Pharma Inc.	Other related party
Taimed Biologics Inc.	Other related party
Directors, key management and its close relatives	Key management and its close relatives

Note: On March 17, 2023, it was recognized as investment accounted for using equity method, please refer to Note 6(6) for details. Related significant transactions with related parties are only recorded starting from transaction date.

(2) Significant transactions and balances with related parties

Significant related party transactions and balances are as follows:

A. Premium income

	<u>2023</u>	<u>2022</u>
Significant influence entities	\$ 13,719	\$ 13,681
Consolidated Company's affiliates	775	6
Key management and its close relatives	82,140	119,868
Other related parties	37,710	38,064
	<u>\$ 134,344</u>	<u>\$ 171,619</u>

There is no significant difference between related party and non-related party in terms of underwriting and collection.

B. Fee income

	2023	2022
Consolidated Company's affiliates	\$ 73,400	\$ -

C. Donations (shown as administrative expenses)

	2023	2022
Other related parties	\$ 75,000	\$ 69,916

D. Key management compensation

	2023	2022
Salaries and other short-term employee benefits	\$ 623,857	\$ 616,808
Post-employment benefits	31,085	32,767
	\$ 654,942	\$ 649,575

E. Other receivables (shown as receivables)

	December 31, 2023	December 31, 2022
Consolidated Company's affiliates	\$ 99,724	\$ -

F. Balance of funds managed by related parties

	December 31, 2023	December 31, 2022
Consolidated Company's affiliates	\$ 36,660,108	\$ -

The dividend income generated by the fund are as follows:

	2023	2022
Consolidated Company's affiliates	\$ 1,127,080	\$ -

G. Secured loans

Balances of secured loans lent to key management and its close relatives are as follows:

	December 31, 2023	December 31, 2022
Key management and its close relatives	\$ 38,518	\$ 50,985

The related interest income on the loans are as follows:

	2023	2022
Key management and its close relatives	\$ 867	\$ 898

There is no significant difference between related party and non-related party in terms of secured loans.

H. Bonds payable

	December 31, 2023	December 31, 2022
Significant influence entities	\$ 310,000	\$ 310,000
Other related party	500,000	500,000
	\$ 810,000	\$ 810,000

The interest expense and interest payable resulting from the abovementioned bonds payable are listed as follows:

(a) Interest expense

	2023	2022
Significant influence entities	\$ 10,834	\$ 10,850
Other related party	17,475	17,500
Key management	-	390
	<u>\$ 28,309</u>	<u>\$ 28,740</u>

(b) Interest payable

	December 31, 2023	December 31, 2022
Significant influence entities	\$ 5,662	\$ 5,678
Other related party	9,133	9,158
	<u>\$ 14,795</u>	<u>\$ 14,836</u>

(3) Commitments

The Consolidated Company committed to the Financial Supervisory Commission, Executive Yuan on August 29, 2011, that it will not enter into any of the following transactions with Ruen Chen unless the regulatory agency approves it:

- A. Provide loans to Ruen Chen and its six stockholders (including Ruextax Development Co., Ltd., Ruentax Industries Ltd., Pou Chen Corp., Chang Chun Investment Co., Ltd., Yitai Investment Co., Ltd. and Hue Hong Investment Co., Ltd.), Samuel Yin, Tsai Chi Jui and their related parties (jointly referred herein as “Ruen Chen and its related parties”).
- B. Invest in common stock, preferred stock and other securities which are issued by Ruen Chen and its related parties.
- C. Purchase real estate from Ruen Chen and its related parties.
- D. Co-develop real estate with Ruen Chen and its related parties.

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

- A. The Consolidated Company had signed the design and construction contracts but has not yet recognised the amounts (tax included) as follows:

December 31, 2023	December 31, 2022
<u>\$ 10,431,690</u>	<u>\$ 1,372,633</u>

- B. Operating lease agreements

Please refer to Note 6(13).

- C. As of December 31, 2023, the upper limit of remaining capital commitment for the contracted private placement of the Consolidated Company are US\$2,964,454 thousand and EUR\$519,754 thousand.

(2) Contingencies

The Consolidated Company has contingent liabilities due to lawsuits arising from operating activities. Except for those which the Consolidated Company already estimated the provisions, the Consolidated Company still has several lawsuits in progress, which are handled by appointed attorneys. As of the end of the reporting period, the final results of the lawsuits have not been determined so the possible compensation could not be reliably estimated. For details of the labor pension dispute between agents and the Consolidated Company, please refer to Note 6(26).

9. SIGNIFICANT ACCIDENTAL LOSS

None.

10. SIGNIFICANT SUBSEQUENT EVENT

- (1) To strengthen financial structure and fulfil capital, the Board of Directors of the Consolidated Company's life insurance business resolved to issue the cumulative subordinated bonds with more than 10 years (or 10 years) terms in full or in several times within a year in the amount of \$15,000,000 on June 15, 2023. Details of the amount and terms of the first issuance are provided in Note 6(21). Subsequently, the cumulative subordinated bonds had been approved by Securities-TPEX-Bond No. 11200123751 of Taipei Exchange dated December 27, 2023 amounting to \$3,500,000 and was listed on the Taipei Exchange since January 4, 2024.
- (2) On January 11, 2024, the Company (the Consolidated Company's life insurance business) signed a real estate disposal contract of Anle District, Keelung City with Guo Meng Development Co., Ltd., and the transaction amount was \$1,300,000.
- (3) On January 18, 2024, the Company (the Consolidated Company's life insurance business) signed a construction agreement of "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts for 70 years" with Fut Su Construction Co., Ltd., and the contract price was \$16,310,000.
- (4) On January 25, 2024, the Company (the Consolidated Company's life insurance business) signed a real estate disposal contract of Neihu District, Taipei City with Delta Electronics Corporation, and the transaction amount was \$4,788,880.
- (5) To strengthen financial structure and fulfil capital, the Board of Directors of the Consolidated Company's life insurance business resolved to issue the cumulative subordinated bonds with more than 10 years (or 10 years) terms in full or in several times within a year in the amount of \$30,000,000 on February 22, 2024.

11. FAIR VALUE INFORMATION

(1) Fair value hierarchy

The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Consolidated Company's investment in government bonds, corporate bonds, bank debentures, structured time deposits, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Consolidated Company investment in private fund, real estate securitisation, infrastructure fund, unlisted stocks, financial assets at amortised cost and investment property is included in Level 3.

(2) Fair value

A. For the Consolidated Company's financial instruments that are not measured at fair value and the investment property measured at cost, such as cash and cash equivalents, accounts receivable, loans, accounts payable and bonds payable, the carrying amount is a reasonable approximation of fair value other than those listed below so that the fair value is not disclosed.

Financial assets	December 31, 2023			
	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,346,999,718	\$ -	\$ 2,520,817,419	\$ 79,484,828
Investment property (Note 2)	3,043,404	-	-	4,894,895

Financial assets	December 31, 2022			
	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,325,657,899	\$ -	\$ 2,503,223,861	\$ 79,033,818
Investment property (Note 2)	3,075,944	-	-	4,965,084

Note 1 : Including statutory deposits.

Note 2 : Excluding direct lease cost, investment property measured in the fair value model and those shown under construction in progress.

The methods and assumptions used to value financial instruments and investment property not measured at fair value are summarised below:

- (a) When there is a quoted market price available for financial assets at amortised cost, the fair value is determined using the quoted market price. If there is no quoted market price for reference, the fair value is determined using quoted price offered by the counterparties or theory price in order.
- (b) The valuation method elected primarily by the Consolidated Company is discounted cash flow method. The estimates and assumptions of valuation adopted by the Consolidated Company are the same with the information used by the market participants, and this information is available for the Consolidated Company. The discount rate employed by the Consolidated Company is identical with the rate of return generated by the financial instruments with the same terms and characteristics, such as issuer's creditworthiness, duration and currency of payment.
- (c) The fair value of investment property is based on valuations performed semi-annually by independent estimators, following Regulation on Real Estate Appraisal. Valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted by the nature, location or condition of individual asset.

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B. The Consolidated Company's financial instruments and investment property measured at fair value are both measured on a recurring basis. Information of fair value hierarchy is as follows:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 297,393,592	\$ -	\$ -	\$ 297,393,592
Beneficiary certificates	412,491,694	-	204,550,614	617,042,308
Debt instruments	-	14,738,011	22,834,271	37,572,282
Derivative instruments	-	39,857,952	-	39,857,952
Structured time deposits	-	16,215,558	-	16,215,558
Financial assets at fair value through other comprehensive income				
Equity instruments	5,573,872	-	257,031	5,830,903
Debt instruments (Note)	-	251,521,556	12,762,999	264,284,555
Investment property	-	-	213,135,929	213,135,929
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	5,287,505	-	5,287,505

Note: Including statutory deposits.

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 267,763,957	\$ -	\$ -	\$ 267,763,957
Beneficiary certificates	369,674,230	-	210,911,189	580,585,419
Debt instruments	-	16,511,114	23,208,594	39,719,708
Derivative instruments	-	27,662,422	-	27,662,422
Structured time deposits	-	16,110,468	-	16,110,468
Financial assets at fair value through other comprehensive income				
Equity instruments	5,082,466	-	209,174	5,291,640
Debt instruments (Note)	-	227,134,800	18,040,980	245,175,780
Investment property	-	-	192,827,191	192,827,191
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	16,085,125	-	16,085,125

Note: Including statutory deposits.

- (a) The methods and assumptions used to value financial instruments and investment property measured at fair value are summarised below:
- I. The sources of the fair value of financial instruments are respectively listed by their characteristics as follows:
 - (i) Equity instruments: Aside from private funds, some real estate securitisation and infrastructure funds which are valued based on the theory price, other equity instruments prioritise using unadjusted closing prices as the basis for measuring market prices of financial products. If there are no closing prices, the fair value is determined by using other pricing conventions.
 - (ii) Domestic debt instruments (including international bonds): Prioritise using public pricing information bulletined by the Taipei Exchange.
 - (iii) Foreign debt instruments: Except callable bonds, securitised products, structured products and securities which the position of single fixed income account for more than 50% of total issuance amount when raising funds, prioritise using the quoted market price as the basis for measuring financial products.
 - II. Except for aforementioned financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.
 - (i) When assessing non-standard and low-complexity financial instruments, for example, FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps, the Consolidated Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (ii) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to debt instruments with structured notes and structured time deposit. Certain inputs used in the valuation model are observable at market, and the Consolidated Company must make reasonable estimates based on its assumptions.
 - (iii) The Consolidated Company adopts the net asset value method to measure the fair value of private funds, some securitised products, infrastructure funds and unlisted stocks. The inputs used in the valuation model are unobservable inputs.
 - III. The Consolidated Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Consolidated Company's credit quality.
 - IV. For the valuation methods, key assumptions and inputs used in the investment property measured subsequently using the fair value model, please refer to Note 6(10).
- (b) For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.

(c) The movement of Level 3 instruments is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2023	\$ 234,119,783	\$ 18,250,154
Recognised in profit or loss (Note 1)	1 (	14,404)
Recognised in other comprehensive income (Note 2)	(7,845,213) (	432,042)
Acquired in the period	21,019,479	1,181,906
Disposed of in the period and others	(19,909,165) (	3,429,050)
Transfers out from level 3	- (	2,536,534)
December 31, 2023	<u>\$ 227,384,885</u>	<u>\$ 13,020,030</u>

	Investment property
January 1, 2023	\$ 192,827,191
Recognised in profit or loss (Note 1)	(1,384,956)
Acquired in the period	16,867,744
Transferred from constructions in progress	1,789,513
Transferred from property and equipment	350,804
Transferred from prepayments for buildings and lands	2,716,770
Transferred to property and equipment	(59,835)
Adjustment of lease liabilities remeasurement	39,282
Lease modifications	(2,151)
Others	(8,433)
December 31, 2023	<u>\$ 213,135,929</u>

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2022	\$ 207,704,444	\$ 42,173,371
Recognised in profit or loss (Note 1)	-	2,007,363
Recognised in other comprehensive income (Note 2)	15,475,546 (	4,778,101)
Acquired in the period	41,196,615	3,600,444
Disposed of in the period	(30,256,822) (	20,308,430)
Reclassification of financial assets	- (	10,944,493)
Transfers into level 3	-	6,500,000
December 31, 2022	<u>\$ 234,119,783</u>	<u>\$ 18,250,154</u>
	<u>Investment property</u>	
January 1, 2022	\$ 193,667,580	
Recognised in profit or loss (Note 1)	(1,112,872)	
Acquired in the period	2,182,128	
Transferred from constructions in progress	1,521,066	
Disposed of in the period	(20,223)	
Transferred to property and equipment	(2,034,885)	
Adjustment of lease liabilities remeasurement	(1,373,365)	
Others	(2,238)	
December 31, 2022	<u>\$ 192,827,191</u>	

Note 1: The amount of loss for the reporting period relating to those assets and liabilities held at the end of 2023 and 2022 are \$1,392,833 and \$35,687, respectively.

Note 2: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

- (d) The valuation for financial instruments categorised as Level 3 by the Consolidated Company is valued with an independent source of information to approximate current market condition, which the source is ensured to be reasonable by confirming the independence, accountability, whether it is in line with other information and whether it represents the executable prices. The result of valuation is also ensured by periodically calibrating valuation models, updating inputs of models and making fair value adjustments if necessary. The Consolidated Company's policy of fair value measurement for financial instruments and valuation procedures are formulated with reference to IFRSs and consideration of practical operation. The appraisal of investment property would be done by appointed external appraisers according to the valuation approach and parameter assumptions released by the Financial Supervisory Commission.

(e) The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement, please refer to Note 6(10) for the investment property.

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 151,305,609	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,038,105	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	512,069,900	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	257,031	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,801,400	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	22,834,271	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,961,599	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
Private fund	\$ 154,308,264	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,458,134	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	54,144,791	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	209,174	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	6,197,500	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	26,248,217	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Foreign government bonds	2,107,422	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,696,435	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

Note: Due to no quoted prices in active markets, the counterparty quotes were considered while the relationship between significant unobservable input data and fair value cannot be fully controlled in practice. Therefore, no additional qualitative information on the fair value of the Consolidated Company's investments in debt instruments classified as Level 3 was disclosed.

- (f) Sensitivity analysis of the fair value of financial assets and financial liabilities classified as Level 3

The fair value measurement that the Consolidated Company made onto the financial instruments is deemed reasonable. For those financial instruments which are classified in Level 3 and not valued by the Consolidated Company, the relationship between the significant unobservable inputs and fair value can not be completely obtained in practice, therefore, no sensitivity analysis of possible alternative assumptions will be implemented. For those financial instruments which are evaluated by the Consolidated Company, if the movement of valuation or parameter increases or decreases by 1%, the effects to profit or loss for the year or other comprehensive income are as follows:

December 31, 2023				
Increase by 1%			Decrease by 1%	
	Effect on profit or loss	Effect on other comprehensive income	Effect on profit or loss	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 2,045,506	\$ -	(\$ 2,045,506)
Financial assets at fair value through other comprehensive income	-	28,138	-	(28,138)

December 31, 2022				
Increase by 1%			Decrease by 1%	
	Effect on profit or loss	Effect on other comprehensive income	Effect on profit or loss	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 2,109,112	\$ -	(\$ 2,109,112)
Financial assets at fair value through other comprehensive income	-	2,457	-	(2,457)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

12. RISK MANAGEMENT

The Consolidated Company, based on ERM Guideline established Risk Management Policy as a guidance for the Consolidated Company's solid risk management mechanism and practices to ensure capital adequacy, solvency, and stronger business development.

(1) Goals, Policies, and Procedures of Risk Management

A. The risk management responsibilities across different units are:

(a) Board of Directors (BoD)

The BoD is the highest authority and is ultimately responsible for the Company's risk management. According to the Consolidated Company's business strategy and other economic factors, the BoD approves the Risk Management Policy, reviews risk appetite annually, supervises the effectiveness of risk management mechanism, and makes necessary adjustments. To facilitate effective risk management, the BoD authorises Risk Management Committee to approve risk limits and Risk Management Department to handle the risk limit violations.

(b) Risk Management Committee (RMC)

RMC, established under "RMC Charter", is affiliated to the Board of Directors and chaired by an independent director to coordinate the risk management affairs of the Company.

(c) Risk Management Department (RMD)

RMD is to assist in drafting and carry out the Risk Management Policy and risk appetite approved by the BoD, as well as the risk limits approved by RMC. In the meantime, RMD is to coordinate and monitor risk management practices and execution of risk management policy and risk limits through information provided by business units.

(d) Business Units

I. The risk management responsibilities of business unit heads are as follows:

- (i) Management and reporting of the unit in charge. Take remedial actions when necessary.
- (ii) Supervise to provide the risk management related information to RMD periodically.

II. The risk management responsibilities of business units are as follows:

- (i) Identify risks and report risk exposures.
- (ii) Measure risk impacts (quantitatively or qualitatively) and communicate in timely and proper manner.
- (iii) Review and ensure operating within risk limits.
- (iv) Monitor and report limit breaches (including taken mitigation)
- (v) Facilitate risk management model development to ensure the related measures, models, and assumptions are applied on a reasonable and consistent basis.
- (vi) Effectively implement internal controls to comply with regulations and Risk Management Policies.
- (vii) Assist collecting operational risk information.

(e) Internal Audit Department (IAD)

Based on current regulations, IAD conduct audits on risk management practices of business units of the Company.

B. Scopes and characteristics of risk management:

The risk appetite, risk limit, market risk, credit risk, liquidity risk, operational risk, insurance risk and assets liability matching risk are in accordance with risk management strategy set by the Board of Directors. The Consolidated Company establishes related managing measures covering applicable areas, measurements and reporting method.

(a) Risks appetite and risk limit

Considering business strategies, business objectives, business growth, risks and returns, the Consolidated Company adopts capital adequacy and credit ranking as the basis of its risk appetite, which requires Risk Based Capital (RBC) ratio to be maintained above

- 250% for the Company, 270% for early warning threshold, 300% for the Subsidiary, the net worth ratio of the Company shall be maintained above 4%, and using international credit ranking (BBB+ or the same ranking) as the standard. Risk limits are set up with reference to the characteristics of the Consolidated Company's risk and the risk appetite.
- (b) Market risk
- Market risk refers to the risk that asset values might decrease and cause losses within a certain period of time because of the changes of the market prices. The market risk management mechanism of the Consolidated Company includes major asset control regulation, risk measurement method, risk limit and authorisation, and breach limit handling procedure.
- (c) Credit risk
- Credit risk means the risk of loss from debt obligator or counterparty's default as their financial status worsened or for other reasons and fails to honor the contract obligations.
- (d) Liquidity risk
- Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due, or because the depth of the market is insufficient, when dealt or offset holding positions, significant market price movement caused the risk to increase.
- I. Fund liquidity risk management mechanism
- (i) The business unit with process engaging liquidity risk should follow the Liquidity Risk Management Policy to incorporate or modify liquidity risk management mechanism in its internal control procedure to maintain the safety of fund usage.
 - (ii) Funding unit should be independent from trading unit, should perform daily cash management and continuous cash flow management and be responsible to monitor the cash flow of each business unit.
 - (iii) For fund liquidity, not only domestic short-term but also cross country or cross market funding should be considered.
 - (iv) Apply cash flow model to evaluate and monitor the change in mid-term and long-term liability cash flows.
- II. Market liquidity risk management mechanism
- (i) Consider the fitness of market trading volume and holding positions.
 - (ii) Consider the significant impact to market price caused by block trade and should be cautiously managed.
- (e) Operational risk
- Operational risk includes the risk of direct or indirect loss caused by external events or internal process, human and system failures. It includes legal risk, money laundering and financing terrorism risk and continuous operation management, etc., but excludes strategic and reputation risk.
- Through risk identification, assessment, response, monitoring, information communication and documentation, the Consolidated Company allocates limited resources effectively to enhance its operational risk management.
- (f) Asset liability matching (ALM) risk
- ALM risk refers to risks arising from inconsistent asset and liability price movements. The Consolidated Company periodically monitors the expected cash flow of assets and liabilities in order to effectively manage ALM risk.

(2) Insurance Risk

Life insurance

Insurance risk refers to losses due to unexpected changes upon claim and expense payments to insured.

A. The scope of insurance risk

(a) Product design and pricing risk

This risk is caused by data inappropriateness, inconsistency or unexpected changes in product design, policy clauses, and pricing.

(b) Reinsurance risk

Risks that a company is unable to cede those risks in excess of their proposed retention or unable to recover ceded risks from reinsurers such as unearned reinsurance premium, claim recovery, etc.

(c) Underwriting risk

Underwriting risk refers to unexpected losses incurred from soliciting and underwriting processes.

(d) Catastrophic risk

Risk that is caused by a Catastrophe event that aggregate damage amount is severe that it may result in a downgrade or even insolvency of the company.

(e) Reserve related risk

This risk refers to insufficient reserves to honor future insurance obligation due to underestimating insurance contract liabilities.

B. The insurance risk management policy, process and approach

(a) Underwriting policies to ensure adequate risk classification and premium level

I. Our underwriters review each insurance cases based on underwriting policies and procedures with fair and objective standards. To protect interests of our clients and the safety of the Consolidated Company's operation, information of policyholder and insured such as basic information, insurance interests, financial and health condition, occupation are thoroughly reviewed and the insurance purposes, coverage, and premium reasonableness are considered during underwriting processes.

II. Based on "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" and related regulations, underwriting staffs are properly trained and supervised. Related approval authority is granted according to staffs' experiences, capability, professional levels to ensure the underwriting quality and efficiency.

III. The Consolidated Company has guidance for controversial cases and task force for large coverage cases for timely risk control.

(b) Procedures for taking, measuring, monitoring, and controlling insurance risks:

I. Risk identification

Identify the potential insurance risks under business operation.

II. Risk assessment

Use quantitative measurements or qualitative analysis to identify the main causes and potential impact of risks, and then compare to risk appetite or risk limits for prioritizing subsequent insurance risk controls and responses.

III. Risk response

Consider risk assessment results and take appropriate responses such as risk averse, transfer, control, and acceptance.

IV. Risk monitoring

Monitor under appropriate frequency, and report risk limit utilisation with escalation as needed. For major risk events, special reporting procedure is enacted to address events in a timely manner. In addition, review the effectiveness of existing risk management mechanism to update with the changes in operating targets, risk exposures and business environment.

- (c) Approaches to limit or transfer insurance risk exposure and to avoid over-concentration: To transfer insurance risk exposure and avoid over-concentration, the primary approach is through our reinsurance plan, which set the maximum accumulation limit per incident after considering risk nature and the Consolidated Company's risk-taking ability.

C. Insurance risks assessment and management

Insurance risks refer to the probability of occurrence of insured events, and the uncertainty of the Consolidated Company possessing adequate assets to meet future obligations prescribed in the insurance contract. By individual insurance policy, such risks are random and unpredictable.

For insurance contracts, the Consolidated Company has to bear the risks of adverse mortality, morbidity, expense, and withdrawal experiences as well as the uncertainty of investment returns arising from invested premium income. Depending on the nature of the contract, uncertainties related to the occurrence, amount and timing of insurance contract liabilities may be considered as the inherent risks of an insurance policy. The Consolidated Company sells predominantly life insurance, accident and health (A&H) insurance and annuity insurance products. The most significant insurance risk factor for life and A&H insurance products, which cover the risks of mortality, accidents and diseases, is the actual claims exceed the carrying amount of the insurance reserves; that is, the actual compensation or benefit payments surpass the original expected amounts in terms of frequency and severity of the insured events. Furthermore, the Consolidated Company has to bear the losses ensuing from natural and man-made catastrophic events. The frequency and severity of such catastrophic events and the resultant losses are unpredictable. On the other hand, the most important insurance risk factor for annuity insurance products, which cover the risk of survivorship, is the prolonged life expectancy as a consequence of the continual medical improvement.

Insurance risk also arises from the policyholders' decision to reduce sum assured, discontinue premium payment, or terminate the policy. Thus, the insurance risk exposure are also affected by the policyholders' behaviors. Assuming policyholders could make rational decisions, then the overall insurance risks may increase due to their rational behaviors. For instance, policyholders who maintain good health will be more likely to terminate their life or health insurance policies than those whose health has deteriorated. As a result, the expected mortality rate will increase if such voluntary terminations decrease the overall number of insurance policies.

The Consolidated Company has established product development, pricing and underwriting strategies to undertake the diverse types of insurance risks. In addition, the variability of the expected outcome within the scope of each risk factor has been lowered by underwriting a sufficient number of insured lives. By issuing a large number and a mixture of product types, the life insurance risk could be managed. Furthermore, the Consolidated Company transfers part of the risk to reinsurers via catastrophic reinsurance coverage to mitigate the overall risk of future claims and significant financial losses due to disasters.

D. Asset liability management methodology

The Consolidated Company has enacted asset liability management mechanism, which utilises duration and cash flow testing approaches to monitor periodically and adjust our portfolios accordingly.

E. Concentration of insurance risk

As the Consolidated Company operates purely within the boundary of Taiwan, it is subject to the geographical concentration risk, which is mainly managed through reinsurance. Though long-term traditional insurance products constitute the majority of the in-force portfolio of policies, the Consolidated Company continues to provide various new business in terms of characteristics, timing and risks to achieve the objective of risk diversification.

F. Insurance risk sensitivities – insurance contracts

In general, the statutory reserves of the insurance contracts issued by the Consolidated Company should be based upon the lock-in principle, that is, the provision of future liabilities is predetermined upon the policy issuance. Hence, the reserve will not fluctuate with future experience unless the liability adequacy test (LAT) shows that it is insufficient. The Consolidated Company will perform LAT on its insurance policies to assess the overall adequacy of liabilities on the book, taking into consideration the current information as at the time of evaluation when setting the assumptions, such as mortality and morbidity rates, withdrawal rate, expense ratios, discount rates, etc and calculate actual estimated amount of cash flows. In the event that the test result shows that the value of liabilities is inadequate, the shortfall will be recognised as an expense loss in the current period.

With respect to the insurance portfolio of the Consolidated Company as of December 31, 2023, and 2022, the liabilities will still be adequate even when the mortality, morbidity, withdrawal rates and expense ratios assumptions adversely change by 10% or new investment returns drop by 25 basis points.

G. Credit risk, liquidity risk and market risk of the insurance contracts

(a) Credit risk

It refers primarily to the risk of a reinsurer's failure to fulfill its obligations on the ceded business. To manage this risk, the Consolidated Company will foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance to the reinsurance risk management plan as set out by the Consolidated Company. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees be paid on a net basis, after deducting receivables. In addition, the Consolidated Company will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Consolidated Company the right to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

The Consolidated Company will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer such that it fails to meet the minimum requirement of being an eligible reinsurer as stipulated by the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", the Consolidated Company will establish a reinsurance reserve as required to mitigate the adverse impacts from the downgraded reinsurer.

Currently, the credit ratings of all the reinsurance counterparties of the Consolidated Company have met the eligibility standard as stipulated by the regulation.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the failure of the Consolidated Company to realise the assets or to obtain sufficient funding in time to fulfill its obligations on insurance benefits payment. To manage the risk, the Consolidated Company will analyse the maturity dates of the insurance policies regularly, and review the matching of assets and liabilities.

The table below shows the net liability cash flow analysis of the insurance portfolio of the Consolidated Company by maturity date. The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future point of time. The future actual amounts may vary as the actual experience may be different from the expected experience.

Net cash flows used in (provided by) the insurance contracts:

	December 31, 2023	December 31, 2022
Under 1 year	\$ 69,699,264	\$ 51,779,850
1 ~ 3 years	239,153,465	189,305,218
Over 3 years	9,976,066,977	10,095,722,443
	<u>\$ 10,284,919,706</u>	<u>\$ 10,336,807,511</u>

The Consolidated Company has insurance contracts that are classified as liabilities on insurance products - separate account. However, such liabilities are repaid based on investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

(c) Market risk

The Consolidated Company establishes statutory reserves in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and related regulations issued by the Authority. As the reserving interest rate and incidence rates are pre-determined as at policy issuance, the statutory reserves will not change with market interest rates fluctuations. The regulator will regularly review the reserving interest rate assumption, which however may not necessarily correspond to the market risk factors (e.g. market interest rate) in terms of timing, amount or direction, and it is only applicable to the new policies. Therefore, the impact of probable changes in market risks on the statutory reserves of the in-force portfolio is negligible. In case the regulator changes the reserving interest rate assumptions, its impact on profit/loss or equity will vary depending on the magnitude of the change and the overall product composition of the Consolidated Company. Furthermore, reasonable and probable variations in market risks may affect the liability adequacy test, which requires the estimation of future cash flows for insurance contracts and investment contracts with discretionary participation features to be based on the current information as at the valuation date when assessing the adequacy of reserves. Please refer to the insurance risk sensitivity analysis for the impact of market risk factors on the reserve adequacy of the Consolidated Company.

- H. The derivatives issued by the Consolidated Company which are embedded in the insurance contract and not measured at fair value are primarily those with policyholder's option to surrender the contract at cash value. The market risk for these contracts arises from the lower overall company investment yield than the average pricing interest rate.

Property insurance

Insurance risk covering the risks transferred from insured arises from unexpected loss. The Consolidated Company needs to reimburse claims payment and related expenses to the insured by the terms stated in the insurance contract if any after receiving premium from the insured.

A. Policy, procedure and method of insurance risk management

- (a) Product design and pricing risk: regarding the control of product design and pricing risk, other than through risk transfer plan, consideration of safe parameter with actuary assumption and after-sale tracking. Risks resulting from inappropriate product contents, misuse of terms, pricing rates, inconsistency or unexpected changes are measured based on types and characteristics of products. Based on the characteristics of each product, the Consolidated Company can control the risks by risk transferring plan, actuarial risk margin to the rate and tracking of policy experience.
- (b) Underwriting risk: to lower unexpected loss risks from writing businesses, the Consolidated Company has set up appropriate underwriting system and procedure, including underwriting manual and guidelines. Furthermore, the Consolidated Company established Key Risk Indicators for underwriting risk.
- (c) Reinsurance risk: in consideration of capacity, the Consolidated Company sets up limits for each risk unit and each accident, arrange reinsurance for those risks in excess of retention. Also, in order to lower the risks of not being able to collect premium, claims or other expenses due to the reinsurers' default, the Consolidated Company evaluates reinsurers' credit ratings regularly.
- (d) Catastrophe risk: the Consolidated Company identifies catastrophic risk by product nature and evaluates PML through risk models and scenarios analysis and also take accumulation effects and correlation among risks into consideration.
- (e) Claim risk: the Consolidated Company has set up appropriate internal claim procedures to lower the risk resulting from inappropriate operation or negligence.
- (f) Reserve related risk: the Consolidated Company tracks and examines the reserve amounts in each year's AA reports to analyse the adequacy of reserves in order to lower the risk from underestimating the reserve to fulfill future contract obligation.

B. Management method of assets and liabilities

When identifying assets and liabilities matching risks, the main consideration includes market risk from market price fluctuation, liquidity risk from insufficient cash, liquid assets to fulfill insurance payment and insurance risk arises from loss of unexpected catastrophe, causing the cash flow of assets and liabilities to be unmatched. In order to effectively identify, measure and respond to the abovementioned assets and liabilities matching risks, subsidiaries set up appropriate management mechanisms and through the simulation of changes in cash flow and monitoring the assets and liabilities to decrease the possible risk that may be derived.

C. Illustration about the insurance risk concentration

The risk of insurance contracts accepted by the Consolidated Company are scattered across all types of insurance and only the car insurance business bear a higher concentration of risk. Nevertheless, the risk does not change significantly given stable experience in the loss of car insurance and risk aversion through ceding reinsurance. As for other types of insurance, there is no such risk concentration.

The insurance risk concentration of the premium revenue from direct underwriting and retained premium earned accrued by the Consolidated Company's car insurance is listed below: (excluding compulsory insurance)

2023		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 4,287,488	\$ 3,001,196
2022		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 3,865,571	\$ 2,049,131

D. Sensitivity analysis of insurance risk

The Consolidated Company estimates claims provisions mainly through loss development model and the expected loss rate to each type of insurance. Given that the estimates will be affected by the amendment to the laws, changes in the method of claims payment or future prospect, therefore, the Consolidated Company conducted sensitivity analysis of insurance risk using expected loss rate.

On the basis of one-year retention earned premium income, as of December 31, 2023 and 2022, the profit or loss of the Consolidated Company was barely affected by 5% increase in the calculated final rate of loss.

E. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risk of insurance contracts mainly arises from default by the reinsurers on their obligations under reinsurance contract leading to the risk of failure to fulfill obligations from various insurance contract liabilities. The Consolidated Company's selection of reinsurers and monitoring of credits follow the standard of the reinsurance management plan. The Consolidated Company carefully chooses reinsurance counterparties and pays close attention to information about reinsurance market in order to minimise the credit risk.

(b) Liquidity risk

Liquidity risk of insurance contract mainly happens when a Company is unable to realise assets immediately or acquire adequate capital leading to the risk of failure to fulfill obligations from various insurance contract liabilities. To ensure the instantaneity of liquidity risk management, except for regular review toward the matching of assets and liabilities, the Consolidated Company also performs cash flow analysis for the insurance business and its investments and separately reviews revenue and expenditures from the insurance industry and investment. A table of cash flow estimation is also created and used as a basis for fund procurement in order to cope with needs for various fund liquidity. Besides, the Consolidated Company's working capital is sufficient for liquidity requirements, therefore there is no liquidity risk regarding inability to raise funds for meeting contractual obligations.

(c) Market risk

Market risk of insurance contract mainly refers to the risk arising from inability to respond timely to movements in the insurance market. Not only does the Consolidated Company have a department for providing information about the insurance market, the Consolidated Company will also transmit the latest information to each branch unit of the Consolidated Company via e-mail or internal network from time to time in order to know firsthand information about the insurance market well. Thus, there is no risk arising from inability to respond to movements in the insurance market.

Apart from the unearned premium reserve of long-term fire insurance calculated in

accordance with the factor table announced by the authority, the Consolidated Company calculates and sets aside statutory reserves without discount rate usage in accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations. Therefore, the statutory reserves will not change with market interest rate fluctuations.

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F. Claim development trend

The accumulated claim development trend in the past years refer to the development trend of listed claims. Each accident year refers to the year of insured accident happened; the horizontal rows represent development year of the accidents and the diagonal lines represent the accumulated reported claims of each accident year. The incurred claims here include unsettled and settled claims which explain how the Consolidated Company calculates each accident year's claims over time.

(a) Claim development pattern of the Consolidated Company's direct business

The following tables are the reconciliation between the Consolidated Company's accumulated claim and the claim reserve on the balance sheet of the end of reporting periods.

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	0	6	7	8	9	10
≤ 2014	\$ 31,848,407	\$ 31,913,258	\$ 31,273,866	\$ 31,275,309	\$ 31,273,960	\$ 31,275,236	\$ 31,273,590	\$ 31,273,779	\$ 31,273,700	\$ 31,273,921
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332	1,112,273	
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644		
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152			
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845				
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362					
2020	2,753,598	3,042,918	3,101,186	3,075,680						
2021	2,564,836	2,908,470	2,976,594							
2022	4,990,262	5,572,954								
2023	3,516,206									
(1)Accumulated Reported claims of direct business										54,797,631
(2)Accumulated Paid claims of direct business										53,179,507
(3)Reported But Not Paid claim reserve of direct business										1,618,124
(4)Not reported claim reserve of direct business										1,358,643
(5)Assumed claim reserve										207,307
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,184,074

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2023.

December 31, 2022										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2013	\$ 30,604,443	\$ 30,968,169	\$ 30,910,278	\$ 30,280,920	\$ 30,275,255	\$ 30,273,150	\$ 30,273,975	\$ 30,272,117	\$ 30,272,270	\$ 30,272,167
2014	880,238	1,002,979	992,946	1,000,054	1,000,810	1,001,261	1,001,474	1,001,508	1,001,533	
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332		
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734			
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220				
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458					
2019	2,427,669	2,692,854	2,700,442	2,670,217						
2020	2,753,598	3,042,918	3,101,185							
2021	2,564,836	2,908,470								
2022	4,990,262									
(1)Accumulated Reported claims of direct business										50,665,578
(2)Accumulated Paid claims of direct business										49,059,343
(3)Reported But Not Paid claim reserve of direct business										1,606,235
(4)Not reported claim reserve of direct business										1,250,640
(5)Assumed claim reserve										200,971
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,057,846

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2022.

(b) Claim development pattern of the Consolidated Company's retention business

The following tables are the claim development pattern as of the end of reporting periods:

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 21,544,209	\$ 22,097,298	\$ 21,398,487	\$ 21,397,633	\$ 21,399,175	\$ 21,399,729	\$ 21,399,814	\$ 21,399,941	\$ 21,399,904	\$ 21,399,840
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295	1,052,236	
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697		
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781			
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585				
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051					
2020	1,467,417	1,707,557	1,732,302	1,730,693						
2021	1,435,037	1,580,008	1,616,831							
2022	3,754,820	4,116,146								
2023	2,664,721									
(1)Accumulated Reported claims of retention business										37,651,581
(2)Accumulated Paid claims of retention business										36,585,236
(3)Reported But Not Paid claim reserve of retention business										1,066,345
(4)Not reported claim reserve of retention business										996,122
(5)Claim reserve of retention business=(3)+(4)										\$ 2,062,467

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2023.

December 31, 2022										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2013	\$ 20,409,353	\$ 20,737,260	\$ 20,823,145	\$ 20,416,989	\$ 20,410,214	\$ 20,408,858	\$ 20,409,297	\$ 20,409,219	\$ 20,409,311	\$ 20,409,249
2014	806,949	1,274,153	981,498	987,419	990,317	990,432	990,595	990,630	990,655	
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295		
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792			
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351				
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123					
2019	1,383,181	1,608,308	1,668,026	1,659,799						
2020	1,467,417	1,707,557	1,732,303							
2021	1,435,037	1,580,008								
2022	3,754,820									
(1)Accumulated Reported claims of retention business										34,594,395
(2)Accumulated Paid claims of retention business										33,720,508
(3)Reported But Not Paid claim reserve of retention business										873,887
(4)Not reported claim reserve of retention business										926,949
(5)Claim reserve of retention business=(3)+(4)										\$ 1,800,836

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2022.

(3) Financial risk

Financial risk is the risk when future cash flows are insufficient to pay for insurance contract and investment contract. The Consolidated Company establishes the risk management mechanism and control system for the financial assets, to effectively identify, measure, respond and monitor the Consolidated Company's exposure risks, including credit risk, liquidity risk, market risk, operational risk, etc.

The Consolidated Company undertakes derivative financial instruments such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps. The primary purpose is to avoid the exchange rate risk and the interest rate risk from investments. To effectively monitor and control the financial risk, the management considers the changes in the economic environment and the competition of market and adopts different strategies against different financial risks as follows:

A. Credit risk

Credit risk refers to the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations. As for the securities investment, the Consolidated Company adopts the credit ratings and research reports issued by the external credit rating agencies and public information about the counterparties and issuers with referring to relevant information in the market at the same time. Moreover, the Consolidated Company measures the upper limit for investment in a single issuer and controls the credit risks of the underlying securities, the issuers, and the counterparties so that the credit risks faced by the Consolidated Company can be effectively mitigated. In addition, the Consolidated Company established credit exposure ratio in relation to country and industry to avoid high concentration of credit exposure. For loan business, the Consolidated Company stipulates regulations on credit checking for implementing thorough credit assessment aiming to ensure that the transactional counterparty meets loan standard and provides adequate collaterals and effectively reduce the credit risk.

(a) The Consolidated Company adopts following assumptions to assess whether the credit risk on that instrument has significantly increased since initial recognition:

- I. Receivables, loans and other financial assets at amortised cost (excluding interest receivables from bonds):
 - (i) If the contract payments were overdue for more than 30 days based on the terms, the credit risk of that instrument would be regarded as having significantly increased since initial recognition.
 - (ii) According to the internal and external information, the Consolidated Company identified that there has been a significant increase in credit risk based on its professional judgement on credit risk and the relative historical experience.
- II. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):
 - (i) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the credit rating have been downgraded for more than 3 notches (including 3 notches) since initial recognition, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.

- (ii) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the percentage of unrealised valuation loss on those debt investments is more than 50% of their carrying amount for three consecutive months, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.
- (b) The definition of the default of financial assets made by the Consolidated Company is consistent with the judgements, which are used to assess whether the credit of financial assets were impaired. If one or several of the followings unfavorable effects incurred, the credit of financial assets is considered as impaired:
 - I. Significant financial difficulty of the issuer or obligor; or
 - II. Default or delinquency in interest or principal repayments; The Consolidated Company adopts the premise under IFRS 9, the default occurs when the contract payments (excluding bond investments) are overdue for more than 90 days.
 - III. The obligee, for economic or contractual reasons relating to the obligor's financial difficulty, granted the obligor a concession that an obligee would not otherwise consider;
 - IV. It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
 - V. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - VI. Others.
- (c) Measurement of expected credit loss

The Consolidated Company measures the 12-month probability of default for financial instruments that the credit risk has not significantly increased since initial recognition. While for those that the credit risk has significantly increased or credit impairment has occurred since initial recognition, the lifetime probability of default would be measured. The expected credit losses would then be calculated respectively with the multiplication of loss given default, the probability of default mentioned above, and the exposure default while taking the time value of money and forward-looking adjustments into consideration.

 - I. Receivables (excluding interest receivables from bonds and interest receivable from loans) and other financial assets at amortised cost:

The loss given default is assessed based on the internal historical data. In addition, the Consolidated Company weighted the average of probability of default for the past 3 years and takes into consideration the forecast of overseas and domestic economic data in order to measure the predicted 12-month probability of default. Furthermore, since the lifetime of the Consolidated Company's receivables usually is within 12 months, the lifetime probability of default is consistent with the 12-month probability of default. Exposure at default is measured based on the carrying amount of receivables.
 - II. Loans (including interest receivable from loans):

The Consolidated Company established the 3-year average transition matrix based on the historical information of secured loans and takes into consideration the forward-looking economic variables to measure the predicted 12-month probability of default, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. The Consolidated Company calculates loss given default with discounted cash flows using the effective-interest-rate method, according to both the location of collaterals and the historical recovery rate of secured loans. Exposure at default is measured based on the principle and the carrying amount of interest receivable.

III. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

The Consolidated Company measures the predicted 12-month probability of default using the historical probability of default regularly issued by the international credit rating agencies, which will be adjusted by forward-looking information such as the observable macroeconomics forecast, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. Loss given default is measured based on the historical probability of default regularly issued by the international credit rating agencies, and exposure at default is measured based on the amortised cost of financial instruments.

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(d) Movements in the Consolidated Company's allowance for credit loss for receivables (excluding bond interest receivable and loan interest receivable) are as follows:

	2023				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 41,755	\$ -	\$ 47,761	\$ 851	\$ 90,367
Provision of account receivable at current period	8,237	-	3,385,818	231	3,394,286
Write-offs - lease payments receivable	-	-	(616)	-	(616)
Write-offs - other	-	-	(1,019)	-	(1,019)
Changes in risk parameters	8,246	-	-	-	8,246
Changes in exchange	-	-	(55,776)	-	(55,776)
At December 31	<u>\$ 58,238</u>	<u>\$ -</u>	<u>\$ 3,376,168</u>	<u>\$ 1,082</u>	<u>\$ 3,435,488</u>

	2022				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 38,638	\$ -	\$ 71,339	\$ 849	\$ 110,826
(Recovery) provision of account receivable at current period	(5,708)	-	(42)	2	(5,748)
Write-offs - lease payments receivable	-	-	(169)	-	(169)
Write-offs - other	-	-	(23,393)	-	(23,393)
Changes in risk parameters	8,825	-	-	-	8,825
Changes in exchange	-	-	26	-	26
At December 31	<u>\$ 41,755</u>	<u>\$ -</u>	<u>\$ 47,761</u>	<u>\$ 851</u>	<u>\$ 90,367</u>

(e) Movements in the Consolidated Company's allowance for credit loss for loans are as follows:

2023

	<u>Life time expected credit loss</u>			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'		Total
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets			
At January 1	\$ 27	\$ 303	\$ 1,641	\$	224,366	\$ 226,337
Changes in financial instruments that have been identified at the beginning of year:						
-Transfer to 12-months expected credit loss	157 (	157)	-	-	-	-
-Derecognition of financial assets at current period	(27)	(34)	(476)	-	(	537)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(	49,294)	(49,294)
Changes in risk parameters	(157)	(27)	(28)	-	(	212)
At December 31	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 1,137</u>	<u>\$</u>	<u>175,072</u>	<u>\$ 176,294</u>

	2022				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 274	\$ 685	\$ 3,751	\$ 281,528	\$ 286,238
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	316 (	316)	-	-	-
-Derecognition of financial assets at current period	(72)	(183)	(2,142)	-	(2,397)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(57,162)	(57,162)
Changes in risk parameters	(491)	117	32	-	(342)
At December 31	<u>\$ 27</u>	<u>\$ 303</u>	<u>\$ 1,641</u>	<u>\$ 224,366</u>	<u>\$ 226,337</u>

- (f) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at fair value through other comprehensive income are as follows:

	2023			
	Life time expected credit loss			Total
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 42,148	\$ 82,172	\$ 1,619,715	\$ 1,744,035
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(6,662)	-	(17,386)	(24,048)
Originated or purchased new financial assets	9,378	-	-	9,378
Changes in risk parameters	5,815	5,145	-	10,960
Changes in exchange and others	(259)	(2,711)	(463,126)	(466,096)
At December 31	<u>\$ 50,420</u>	<u>\$ 84,606</u>	<u>\$ 1,139,203</u>	<u>\$ 1,274,229</u>

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	2022			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk	financial assets	
	(group assessment)			
At January 1	\$ 267,306	\$ 105,505	\$ -	\$ 372,811
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to credit impaired financial assets	(397)	-	397	-
-Derecognition of financial assets at current period	(19,427)	(28,413)	-	(47,840)
Originated or purchased new financial assets	3,498	-	-	3,498
Changes in risk parameters	(2,091)	(662)	2,323,674	2,320,921
Reclassification to financial assets at amortised cost	(269,160)	-	-	(269,160)
Changes in exchange and others	62,419	5,742	(704,356)	(636,195)
At December 31	<u>\$ 42,148</u>	<u>\$ 82,172</u>	<u>\$ 1,619,715</u>	<u>\$ 1,744,035</u>

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(g) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at amortised cost are as follows:

	2023			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk (group assessment)	financial assets	
At January 1	\$ 691,012	\$ 5,255,199	\$ 1,135,116	\$ 7,081,327
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(14,764)	(196,637)	-	(211,401)
Originated or purchased new financial assets	4,779	-	-	4,779
Changes in risk parameters	228,611	687,925	-	916,536
Changes in exchange and others	6,930	(115,216)	(259,039)	(367,325)
At December 31	<u>\$ 916,568</u>	<u>\$ 5,631,271</u>	<u>\$ 876,077</u>	<u>\$ 7,423,916</u>

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	2022			
		Life time expected credit loss		
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk	financial assets	
	(group assessment)			
At January 1	\$ 414,477	\$ 2,624,905	\$ -	\$ 3,039,382
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to significant increase in credit risk	(7,264)	7,264	-	-
-Derecognition of financial assets at current period	(26,510)	-	-	(26,510)
Originated or purchased new financial assets	21,477	-	-	21,477
Changes in risk parameters	(21,270)	2,431,257	1,569,528	3,979,515
Reclassification from financial assets at fair value through other comprehensive income	269,160	-	-	269,160
Changes in exchange and others	40,942	191,773	(434,412)	(201,697)
At December 31	<u>\$ 691,012</u>	<u>\$ 5,255,199</u>	<u>\$ 1,135,116</u>	<u>\$ 7,081,327</u>

- (h) The expected loss rate of the Consolidated Company's bond interest receivable, debt instrument investments at amortised cost and debt instrument investments at fair value through other comprehensive income(Note) are as follows:

December 31, 2023			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.44%	0.12%~1.22%	6.30%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.44%	4.71%~6.87%	4.47%~5.81%
Debt instrument investments at amortised cost	0.00%-0.21%	4.85%~16.30%	5.84%~9.53%
December 31, 2022			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.39%	0.11%~1.17%	100%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.39%	5.00%~6.16%	6.77%~32.43%
Debt instrument investments at amortised cost	0.00%~0.22%	4.60%~14.34%	6.88%~12.99%

Note: Excluding those transferred to overdue receivables.

- (i) Information on credit risk rating in relation to the total carrying amount of various financial debt instruments and the maximum exposure to credit risk are as follows:

	December 31, 2023				
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables (Note 1)					
Group 1	\$ 26,861,380	\$ 63,456	\$ -	\$ 8,381	\$ 26,916,455
Group 2	689,897	1,160,554	175,411	20,340	2,005,522
	<u>\$ 27,551,277</u>	<u>\$ 1,224,010</u>	<u>\$ 175,411</u>	<u>\$ 28,721</u>	<u>\$ 28,921,977</u>
Financial assets at fair value through other comprehensive income (Note 1,2)					
Group 1	\$ 265,113,082	\$ -	\$ -	\$ 42,212	\$ 265,070,870
Group 2	3,921,513	1,477,263	23,102,222	1,232,017	27,268,981
	<u>\$ 269,034,595</u>	<u>\$ 1,477,263</u>	<u>\$ 23,102,222</u>	<u>\$ 1,274,229</u>	<u>\$ 292,339,851</u>
Financial assets at amortised cost (Note 1,2)					
Group 1	\$ 3,252,973,881	\$ -	\$ -	\$ 836,045	\$ 3,252,137,836
Group 2	38,133,313	51,384,894	11,931,546	6,587,871	94,861,882
	<u>\$ 3,291,107,194</u>	<u>\$ 51,384,894</u>	<u>\$ 11,931,546</u>	<u>\$ 7,423,916</u>	<u>\$ 3,346,999,718</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note 1: For the assessment of the expected credit loss of the Consolidated Company due to the Russian-Ukrainian conflict, please refer to Note 14(7)

Note 2: Including statutory deposits.

	December 31, 2022				
	12-months	Life time expected credit loss			Maximum credit
	expected credit	Significant	Credit impaired	Allowance for	risk exposure
	loss	increase in	financial assets	credit loss	amount
Bond interest receivables (Note 1)					
Group 1	\$ 27,066,483	\$ -	\$ -	\$ 5,414	\$ 27,061,069
Group 2	<u>722,774</u>	<u>1,196,078</u>	<u>225,237</u>	<u>234,766</u>	<u>1,909,323</u>
	<u>\$ 27,789,257</u>	<u>\$ 1,196,078</u>	<u>\$ 225,237</u>	<u>\$ 240,180</u>	<u>\$ 28,970,392</u>
Financial assets at fair value through other comprehensive income (Note 1,2)					
Group 1	\$ 248,050,493	\$ -	\$ -	\$ 34,840	\$ 248,015,653
Group 2	<u>3,434,614</u>	<u>1,475,243</u>	<u>23,155,061</u>	<u>1,709,195</u>	<u>26,355,723</u>
	<u>\$ 251,485,107</u>	<u>\$ 1,475,243</u>	<u>\$ 23,155,061</u>	<u>\$ 1,744,035</u>	<u>\$ 274,371,376</u>
Financial assets at amortised cost (Note 1,2)					
Group 1	\$ 3,226,479,497	\$ -	\$ -	\$ 601,716	\$ 3,225,877,781
Group 2	<u>41,212,221</u>	<u>52,993,877</u>	<u>12,053,631</u>	<u>6,479,611</u>	<u>99,780,118</u>
	<u>\$ 3,267,691,718</u>	<u>\$ 52,993,877</u>	<u>\$ 12,053,631</u>	<u>\$ 7,081,327</u>	<u>\$ 3,325,657,899</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note 1: For the assessment of the expected credit loss of the Consolidated Company due to the Russian-Ukrainian conflict, please refer to Note 14(7)

Note 2: Including statutory deposits.

- (j) Information on credit risk rating in relation to the total carrying amount of receivables and loans and the maximum exposure to credit risk are as follows:

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 421,170	\$ -	\$ -	\$ 8,983	\$ 412,187
Premiums receivable (Note)	331,101	-	52,787	8,282	375,606
Interest receivable-bonds	27,551,277	1,224,010	175,411	28,721	28,921,977
Interest receivable-loans	7,221,405	63	29	184	7,221,313
Interest receivable-others	96,747	-	-	-	96,747
Investment receivable	4,433,111	-	-	-	4,433,111
Other receivables-lease payments receivable (Note)	1,294,542	-	3,350	32,590	1,265,302
Other receivables-others (Note)	2,738,507	-	3,365,465	3,385,633	2,718,339
	<u>\$ 44,087,860</u>	<u>\$ 1,224,073</u>	<u>\$ 3,597,042</u>	<u>\$ 3,464,393</u>	<u>\$ 45,444,582</u>
Loans	<u>\$ 110,255,823</u>	<u>\$ 49,322</u>	<u>\$ 15,038</u>	<u>\$ 176,294</u>	<u>\$ 110,143,889</u>

Note : Including overdue receivable.

December 31, 2022					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 1,333,807	\$ -	\$ -	\$ 10,637	\$ 1,323,170
Premiums receivable (Note)	194,790	-	47,624	4,637	237,777
Interest receivable-bonds	27,789,257	1,196,078	225,237	240,180	28,970,392
Interest receivable-loans	7,292,879	130	37	214	7,292,832
Interest receivable-others	53,404	-	-	-	53,404
Investment receivable	14,862,171	-	-	-	14,862,171
Other receivables-lease payments receivable (Note)	1,334,750	-	4,059	29,969	1,308,840
Other receivables-others (Note)	2,341,592	-	39,752	45,124	2,336,220
	<u>\$ 55,202,650</u>	<u>\$ 1,196,208</u>	<u>\$ 316,709</u>	<u>\$ 330,761</u>	<u>\$ 56,384,806</u>
Loans	<u>\$ 114,014,035</u>	<u>\$ 112,880</u>	<u>\$ 22,871</u>	<u>\$ 226,337</u>	<u>\$ 113,923,449</u>
Note : Including overdue receivable.					

B. Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due. The Consolidated Company's working capital is sufficient for daily operations, and the cash and marketable securities held can also contribute to satisfy the cash liquidity needed. The cross currency swaps, FX swap and non-delivery forward contracts and delivery forward contracts are for hedging purpose. When rolling over, transactions are net settled and required amounts are within predictable ranges. Hence, there should be no significant exposure to cash flow risk.

The Consolidated Company has investment contracts without discretionary participation feature that are classified as separate account investment-linked insurance products. Such liabilities are repaid based on separate account investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

The table below analyses the Consolidated Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

(a) Non-derivative financial liabilities

December 31, 2023				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 5,738,950	\$ -	\$ -	\$ 5,738,950
Payables	14,256,570	-	-	14,256,570
Bonds payable (Note)	1,884,006	46,792,701	14,436,210	63,112,917
Guarantee deposits received	21,789,241	529,867	293,280	22,612,388
Lease liabilities	4,239,089	10,173,872	33,951,807	48,364,768

December 31, 2022				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 12,992,000	\$ -	\$ -	\$ 12,992,000
Payables	25,072,333	-	-	25,072,333
Bonds payable (Note)	1,446,500	36,330,058	10,162,295	47,938,853
Guarantee deposits received	1,694,901	456,869	353,011	2,504,781
Lease liabilities	950,224	2,860,145	29,115,191	32,925,560

Note: It includes estimated interest so that the disclosed amount does not correspond with relating accounts in the consolidated balance sheet. In addition, the cash flows is counted with ten years for the remaining period under the contract because the bond payable is perpetual.

(b) Derivative financial liabilities

December 31, 2023					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 529,329)	(\$ 245,927)	\$ -	\$ -	(\$ 775,256)
Gross-settled derivatives					
Cash inflow	78,404,938	279,600,580	-	-	358,005,518
Cash outflow	(79,940,584)	(282,594,100)	-	-	(362,534,684)
December 31, 2022					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 5,449,660)	(\$ 4,304,633)	\$ -	\$ -	(\$ 9,754,293)
Gross-settled derivatives					
Cash inflow	143,521,765	109,074,831	-	-	252,596,596
Cash outflow	(149,534,768)	(109,425,277)	-	-	(258,960,045)

C. Market risk

The Consolidated Company's domestic and foreign investments are exposed to market risks, and potential losses resulting from market risks could be partly mitigated through foreign exchange hedge and investment diversification. The Consolidated Company continuously uses market risk management methods such as VaR and sensitivity analysis, along with implementation of risk limits and completely effective measurement and control over the market risk faced by the Consolidated Company to avoid potential losses to the Consolidated Company's assets arising from variations in the market prices of held financial instruments (e.g. market interest rates, exchange rates, stock price, and credit spread).

(a) Interest rate risk

Interest rate risk refers to the risk of changes in value of financial instruments as a result of variations in the market interest rates. Variations in the market interest rates will result in changes in the fair value and future cash flows of bond investments. An increase in market interest rates will cause the fair value of fixed rate bond investments to fall, and the cash flow of floating rate bond investments increase. For the years ended December 31, 2023 and 2022, the market prices of some fixed income assets had fluctuations that reflected the recent rise of market interest rates. However, the Consolidated Company mainly pursues steady and predictable long-term profits to maintain stable business and liquidity, and will continue to monitor the interest rate risk.

Sensitivity analysis of interest rate risk provided in the table below is performed for reasonably possible changes in interest rates with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	December 31, 2023		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	(\$ 26,185)	(\$ 7,429,637)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(31,602,809)
	December 31, 2022		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 7,346,164)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(25,892,124)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

If the variables adopted in the aforesaid sensitivity analysis of interest rate risk move in opposite direction, variations in profit/loss and other comprehensive income (pre-tax) will also move in reverse.

(b) Price risk

Price risk mainly arises from price volatility of equity instruments (stocks and equity fund) held by the Consolidated Company. However, the Consolidated Company dispersed the price risk through diversified investment portfolio.

Sensitivity analysis of price risk provided in the table below is performed for reasonably possible movement in price with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

December 31, 2023			
Price risk	Effect on		Effect on other
	profit or loss		comprehensive income (Note)
A price increase by 10%	\$	1,186,188	\$ 39,587,325
A price decrease by 10%	(	1,186,188)	(39,587,325)

December 31, 2022			
Price risk	Effect on		Effect on other
	profit or loss		comprehensive income (Note)
A price increase by 10%	\$	1,146,960	\$ 36,573,922
A price decrease by 10%	(	1,146,960)	(36,573,922)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

(c) Exchange rate risk

I. Hedging Strategy and Risk Exposure

The Consolidated Company holds many foreign investments, which are denominated in various currencies and may suffer from losses when the fluctuations of exchange rates lead to changes in their fair values. Following the principles that life insurance companies should pursue long-term stable investment income and keeping the reserve for foreign exchange at suitable levels, the Consolidated Company tries to reduce the foreign exchange risk by adopting direct hedges, natural hedges, and other hedging tools compliant with the regulations; quarterly reviewing the currencies, profit or loss, and tenor allocation of the hedges; and dynamically adjusting the risk exposures and hedge ratios to the market conditions. Direct hedges are the direct hedging transactions of the foreign currencies versus USD or TWD, and the hedging tools the Consolidated Company currently uses include FX swap contracts, cross currency swaps, delivery forwards, and non-delivery forwards. On the other hand, natural hedges are to diversify the foreign exchange risks of the entire foreign investment positions by holding a variety of currency exposures, since the different trends among the exposed currencies may bring diversification effects to the Consolidated Company.

- II. Sensitivity analysis of foreign exchange risk provided in the table below is performed for reasonably possible changes in foreign exchange rates of monetary assets and liabilities with other conditions held constant, considering foreign exchange derivatives for hedge and excluding insurance contract denominated in foreign currencies, showing the impact on net income and other comprehensive income (changes in the fair value) (pre-tax).

	December 31, 2023	
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 26,899,111	(\$ 991,851)
All currency to TWD decrease by 5%	(26,899,111)	991,851
	December 31, 2022	
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 31,260,056	(\$ 994,023)
All currency to TWD decrease by 5%	(31,260,056)	994,023

D. Climate - related risks

The Consolidated Company's Task Force on Climate-Related Financial Disclosures (TCFD) working group keeps promoting the identification, response and disclosure of climate-related risks and opportunities. In 2023, to enhance risk management of climate-related risks, the Consolidated Company established climate-related risk management policies, which stipulate that all identified climate-related risks shall be taken into consideration when setting up the risk appetite, strategies, and operating plans.

For the year ended December 31, 2023, the TCFD working group identified and summarised the climate-related risk issues that the Consolidated Company may face in the future (including physical risks and transition risks) by referring to domestic and foreign studies and analysis reports from benchmark enterprises. These risks were prioritized by assessing their probability of occurrence, impact, and potential occurrence timeframe (short-, medium-, long-term), and the relevant adaptation measures were developed for the top 10 risks. The ranks of identified top 10 risk factors were the demand of policies on enhancing the proportion of green buildings, the demand of policies on enhancing the proportion of renewable energy, an incremental cost due to the current products and services which were substituted by low carbon transition service, increase in greenhouse gas emission costs, investments losses on investees arising from the information uncertainty of market and its customers, increased operating costs due to the transition of electricity structure in response to rising average temperatures, loss on the subject matter insured due to sea level rise, investees' face related financial risks which are affected by the risk of regulation transition, changes in customer behaviour, and the claim increases due to the climate catastrophe's effects on the subject matter insured. The Consolidated Company has developed relevant adaptation measures, established climate indicators and targets, and will regularly monitor and track the implementation of climate-related risk management.

In addition, the Consolidated Company signed the commitment letter to the Science-based Target initiative in 2023 and completed the target setting of scope 1, 2 and 3 and filed to review at end of the same year. In the future, the Consolidated Company will be dedicated to reducing carbon on operation perspective and will continually monitor the exposure of investment position in relation to high carbon emission industries and invest in carbon emission. Furthermore, the Consolidated Company intends to realise the Science-based Target through continual assessments of green finance and sustainability themed investing to make contribution to the transition of global low-carbon economy.

13. OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Consolidated Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Consolidated Company in order to support the Consolidated Company's sustainable development and continuously create interests for shareholders.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the risk based capital ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital should not be lower than 200%. The Consolidated Company calculates the risk based capital ratio and net worth ratio once every six months to measure and assess the future capital adequacy in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" and other competent authority to ensure that it can continuously meet the statutory capital requirement and medium and long-term operations.

Risk based capital ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognised owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Net worth ratio is calculated as equity divided by total assets excluding assets on insurance product - separated account. According to "Regulations Governing Capital Adequacy of Insurance Companies", the Consolidated Company's life insurance business and property insurance business latest two capital adequacy ratios were both above 200%, and the latest two net worth ratios were both above 3%, which met the statutory capital requirement.

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14. OTHERS

(1) Assets and liabilities recoverable or payable within 12 months or more than 12 months:

Assets	December 31, 2023		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 71,836,768	\$ 71,836,768	\$ -
Receivables	45,444,582	45,444,582	-
Current tax assets	4,116,889	597,570	3,519,319
Financial assets at fair value through profit or loss	1,008,081,692	954,836,359	53,245,333
Financial assets at fair value through other comprehensive income	269,736,858	270,329	269,466,529
Financial assets at amortised cost	3,325,116,318	27,445,246	3,297,671,072
Investments accounted for using equity method	2,816,281	-	2,816,281
Investment property	218,889,784	-	218,889,784
Loans	110,143,889	-	110,143,889
Reinsurance contract assets	4,012,032	3,793,561	218,471
Property and equipment	16,850,912	-	16,850,912
Right-of-use assets	827,036	52,980	774,056
Intangible assets	13,713,264	-	13,713,264
Deferred tax assets	62,221,574	-	62,221,574
Other assets	24,426,969	607,916	23,819,053
Liabilities			
Short-term debts	\$ 5,738,950	\$ 5,738,950	\$ -
Payables	14,256,570	14,256,570	-
Current tax liabilities	3,048,691	2,061,212	987,479
Financial liabilities at fair value through profit or loss	5,287,505	5,287,505	-
Bonds payable	53,500,000	-	53,500,000
Insurance contract liabilities	4,627,810,413	41,690,674	4,586,119,739
Reserve for insurance with nature of financial instruments	956,348	-	956,348
Reserve for foreign exchange valuation	8,675,002	-	8,675,002
Provisions	3,840,130	-	3,840,130
Lease liabilities	32,921,416	4,246,583	28,674,833
Deferred tax liabilities	29,104,400	-	29,104,400
Other liabilities	49,217,261	23,355,071	25,862,190

Assets	December 31, 2022		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 98,163,350	\$ 98,163,350	\$ -
Receivables	56,384,806	56,384,806	-
Current tax assets	1,042,474	8,719	1,033,755
Financial assets at fair value through profit or loss	931,841,974	877,922,670	53,919,304
Financial assets at fair value through other comprehensive income	235,055,420	594,061	234,461,359
Financial assets at amortised cost	3,311,180,763	9,061,223	3,302,119,540
Investments accounted for using equity method	5,591	-	5,591
Investment property	198,615,377	-	198,615,377
Loans	113,923,449	-	113,923,449
Reinsurance contract assets	4,410,141	3,927,975	482,166
Property and equipment	16,809,216	-	16,809,216
Right-of-use assets	908,186	54,697	853,489
Intangible assets	14,521,664	-	14,521,664
Deferred tax assets	63,128,990	-	63,128,990
Other assets	36,898,743	5,490,614	31,408,129
Liabilities			
Short-term debts	\$ 12,992,000	\$ 12,992,000	\$ -
Payables	25,072,333	25,072,333	-
Current tax liabilities	892,165	223,026	669,139
through profit or loss	16,085,125	16,085,125	-
Bonds payable	42,000,000	-	42,000,000
Insurance contract liabilities	4,585,938,400	45,948,047	4,539,990,353
Reserve for insurance with nature of financial instruments	642,763	-	642,763
valuation	42,592,110	-	42,592,110
Provisions	3,315,273	-	3,315,273
Lease liabilities	19,498,235	949,614	18,548,621
Deferred tax liabilities	23,886,131	-	23,886,131
Other liabilities	28,399,360	4,826,077	23,573,283

- (2) The Consolidated Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2023			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 122,494,134	30.74	\$ 3,764,859,637
Others (Note)			106,927,579
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 36,010,657	30.74	\$ 1,106,784,976
Others (Note)			7,557,195
December 31, 2022			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 121,164,654	30.71	\$ 3,720,713,159
Others (Note)			117,748,004
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 35,918,930	30.71	\$ 1,102,989,861
Others (Note)			8,366,520

Note : The combined amount is disclosed, since the New Taiwan Dollars were under 10% of each account.

(3) Net worth ratio

As of December 31, 2023 and 2022, the net worth ratio of the Company was calculated by its equity divided by the total assets, excluding assets on insurance products - separate account, which equalled 6.66% and 5.55%, respectively. As of December 31, 2023 and 2022, the net worth ratio of the Subsidiary was calculated by its equity divided by total assets, which equalled 27.51% and 16.72%, respectively.

On September 29, 2022, the Board of Directors of the Company approved to change the business model for managing financial assets. Refer to Note 14(8) for the change of the business model causing the reclassification of financial assets and the effects on the net worth and net worth ratio.

(4) Retention limit

The Consolidated Company's property insurance business which's retention limit per unit of risk for each kind of insurance:

Item	Unit: Thousand			
	December 31, 2023		December 31, 2022	
One-year residential fire insurance	NT\$	150,000	NT\$	150,000
One-year commercial fire insurance	NT\$	250,000	NT\$	500,000
Long-term commercial fire insurance	NT\$	150,000	NT\$	150,000
In-land transportation insurance	US\$	3,000	US\$	7,000
Cargo transportation insurance	US\$	7,000	US\$	7,000
General self-owned automobile property insurance	NT\$	100,000	NT\$	100,000
General commercial automobile property insurance	NT\$	100,000	NT\$	100,000
General self-owned automobile liability insurance	NT\$	100,000	NT\$	100,000
General commercial automobile liability insurance	NT\$	100,000	NT\$	100,000
Compulsory self-owned automobile liability insurance	NT\$	1,000	NT\$	1,000
Compulsory commercial automobile liability insurance	NT\$	1,000	NT\$	1,000
Compulsory motorcycle liability insurance	NT\$	1,000	NT\$	1,000
General liability insurance	NT\$	180,000	NT\$	300,000
Professional liability insurance	NT\$	180,000	NT\$	300,000
Engineering insurance	NT\$	250,000	NT\$	500,000
Guarantee insurance	NT\$	30,000	NT\$	30,000
Miscellaneous property insurance	NT\$	150,000	NT\$	150,000
Personal accident insurance	NT\$	40,000	NT\$	40,000
Commercial earthquake insurance	NT\$	250,000	NT\$	500,000
Individual all-risk insurance	NT\$	120,000	NT\$	120,000
Commercial all-risk insurance	NT\$	150,000	NT\$	150,000
Typhoon and flood insurance	NT\$	250,000	NT\$	500,000
Health Insurance	NT\$	30,000	NT\$	30,000
Compulsory mini electric two-wheel vehicle liability insurance	NT\$	1,000	NT\$	1,000

(5) Information of compulsory automobile liability insurance specific asset segmentation, assets and liabilities and income and cost:

A. The Consolidated Company property insurance business maintains separate accounts for its compulsory automobile liability insurance (the “insurance”) in accordance with the Compulsory Automobile Liability Insurance Act, recording the insurance business and financial condition. The insurance assets and liabilities of the Consolidated Company are as follows:

Item	December 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 997,848	\$ 1,022,802
Notes receivable	479	487
Premiums receivable	2,758	2,839
Claims recoverable from reinsurers	43,462	29,686
Other receivables	292	-
Financial assets at fair value through other comprehensive income	1,931,840	1,823,766
Ceded unearned premium reserve	198,785	191,294
Ceded claim reserve	228,304	203,192
Temporary payments and suspense accounts	2,298	6,403
Total Assets	\$ 3,406,066	\$ 3,280,469
Liabilities		
Claims and policy benefits payable	\$ -	\$ 140
Reinsurance payable	18,579	14,358
Unearned premium reserve	482,687	465,981
Claims reserve	583,279	533,487
Special reserve	2,319,420	2,264,805
Temporary payments and suspense accounts	512	220
Other liabilities	1,589	1,478
Total liabilities	\$ 3,406,066	\$ 3,280,469

- B. For the years ended December 31, 2023 and 2022, the information on the Consolidated Company's property insurance income and cost is as follows:

Item	2023	2022
Operating income		
Net premium income	\$ 523,620	\$ 496,712
Reinsurance premium income	251,352	246,317
Premium income	774,972	743,029
Less: Reinsurance premiums ceded	(314,039)	(297,942)
Net changes of unearned premium reserve	(9,215)	(11,201)
Retention earned premium income	451,718	433,886
Interest income	34,969	23,582
	<u>\$ 486,687</u>	<u>\$ 457,468</u>
Operating cost		
Claims payments	\$ 489,081	\$ 391,423
Reinsurance claims	229,567	218,448
Less: Claim recovered from reinsurers	(287,021)	(231,696)
Net claims paid	431,627	378,175
Net changes of claim reserve	24,680	22,513
Net changes of special reserve	54,615	79,280
	<u>\$ 510,922</u>	<u>\$ 479,968</u>

Note: Including the special reserve provisioned from insurer's business expenses, please refer to Note 6(22)B(b)III (iii) for details.

(6) Unqualified reinsurance reserve

- A. Among the Consolidated Company's property insurance business' inforce policies as of December 31, 2023 and 2022, reinsurance expenses of unqualified ceding reinsurance amounted to \$38 and \$40, respectively.
- B. The Consolidated Company's property insurance business' unqualified reinsurance reserve and its details are as follows :

	December 31, 2023	December 31, 2022
Ceded unearned premium reserve	\$ -	\$ 299
Claims recoverable from reinsurers	19	20
Ceded reported but not paid claims reserve	168	1,694
	<u>\$ 187</u>	<u>\$ 2,013</u>

(7) The effects of Russian-Ukrainian conflict

Due to the Russian-Ukrainian conflict which started on February 24, 2022, countries worldwide adopted many economic and financial sanctions on Russia, resulting in an increase in the risk of default on sovereign debts and interest of Russia, and the credit rating was significantly decreased and cancelled by international credit rating agencies. As of December 31, 2023, the Consolidated Company recognised expected credit loss on the credit impaired Russian debt instruments (recognised as financial assets at fair value through other comprehensive income, financial assets at amortised cost and receivables), and the allowance for loss of not overdue debt instruments and overdue debt instruments transferred into overdue receivables amounted to \$2,026,323 and \$3,326,092, respectively.

(8) Reclassification of financial assets

- A. Due to the disruption in supply chains caused by the global pandemic and the Russian-Ukrainian conflict during the past two years, the global inflationary pressures have increased and further pushed a rise in interest rates. The increasing level in interest rates has already met the extreme case defined by Insurance Capital Standard (ICS), therefore, the Company has decided to change its business model and applied an asset reclassification to its bond exposure from financial assets at fair value through other comprehensive income to financial assets at amortised cost in the Company's accounting records as resolved by the Board of Directors in September 29, 2022. The aforementioned asset reclassification also met the situations regulated under Accounting Research and Development Foundation Ji-Mi Letter No. 0000000354. Starting October 1, 2022, as a result of the change in business model and asset reclassification to its bond exposure, "Financial Assets at Fair Value through Other Comprehensive Income" decreased by \$994,190,037, "Financial Assets at Amortised Cost" assets increased by \$1,400,576,887, deferred tax asset decreased by \$79,886,702, and other equity interest increased by \$326,500,148. The financial status information around the reclassification date is summarised as follows:

	September 30, 2022		October 1, 2022
	Before adjustment	Adjustment	After adjustment
Total consolidated assets	\$ 5,099,975,022	\$ 326,500,148	\$ 5,426,475,170
Total consolidated liabilities	5,140,821,664	-	5,140,821,664
Total consolidated equity	(40,846,642)	326,500,148	285,653,506
Net worth ratios	-0.83%	6.30%	5.47%

- B. On October 1, 2022, the Consolidated Company reclassified the financial assets which were affected by the reclassification from financial assets at fair value through other comprehensive income to financial assets at amortised cost. On December 31, 2023 and 2022, the fair value of affected financial assets was \$1,036,744,167 and \$994,679,285, respectively. If the reclassification had not occurred on October 1, 2022, the accumulated after-tax changes of fair value would have been \$256,308,182 and \$290,546,374 for the years ended December 31, 2023 and 2022, respectively; the after-tax changes of fair value recognised in other comprehensive income would have been gain of \$34,238,192 and \$35,953,774 for the year ended December 31, 2023 and October to December, 2022, respectively.
- C. Subsequently, according to Jin-Guan-Bao-Tsai Letter No. 1110494274, when the Consolidated Company distributes earnings, the changes in the fair value from reclassified financial assets should be accounted into the debit balance on other equity interest which is according to Jin-Guan-Bao-Tsai Letter No. 11004920441, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently when the changes (including disposals) in the fair value from reclassified financial assets cause the amount of the debit balance on other equity interest to reverse, the reversed amount could be included in the distributable earnings. For the year ended December 31, 2022, changes in the fair value from reclassified financial assets was loss of \$290,546,374 which was accounted into the net of debit balance on other equity interest and provisioned special reserve. For the year ended December 31, 2023, changes in the fair value from reclassified financial assets was gain of \$34,238,192 which was accounted into the net of debit balance on other equity interest and provisioned or reversed special reserve. Please refer to Note 6(28).

15. SUPPLEMENTARY DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

B. Disposal of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

C. Related party transactions of main business activities reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

D. Accounts receivable from related parties reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

E. Derivative business transactions: Please refer to Notes 6(3), (20) and 11.

F. Business relationship and significant transactions between parent company and subsidiaries: None.

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(2) Information on investees

Investor company	Investee company	Area	Main operation	Initial investment amount		Held by the end of period			Profit in this period of investee company	Recognised profit on investment in this period	Remarks
				End of this period	End of last year	Number of shares (In thousands)	Ratio	Carrying amount			
The Company	Nan Shan General Insurance Co., Ltd.	R.O.C	Property insurance	\$ 6,776,893	\$ 5,276,893	252,400	100%	\$ 5,885,711	\$ 275,131	\$ 264,315	Note 1 Note 3
The Company	Fuh Hwa Securities Investment Trust Co., Ltd.	R.O.C	Securities investment trust	2,763,845	-	18,426	30.71%	2,809,224	1,064,408	266,627	Note 2
The Company	Nan Shan Plaza Property Management Co., Ltd.	R.O.C	Apartment and building management service	3,000	3,000	3	30%	7,057	4,997	1,466	

Note 1: It has been written when preparing the consolidated financial statements.

Note 2: On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co. Ltd. Information relating to investments accounted for using equity method is provided in Note 6(6).

Note 3: To improve financial structure and fulfil working capital, Nan Shan General Insurance Co., Ltd. implemented capital decrease to offset accumulated deficits and conducted the cash capital increase through private placement of common shares in the first half of 2023. The effective date for the capital increase was July 5, 2023. The Company fully subscribed for 150,000 thousand shares and made a payment of \$1,500,000 as resolved by the Board of Directors on May 11, 2023.

(3) Information on investments in Mainland China

None.

16. SEGMENT INFORMATION

(1) General information

The Consolidated Company's management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Consolidated Company or in the measurement basis for segment information during this period.

(2) Segment information

2023				
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 255,226,826	\$ 8,313,201	(\$ 90,048)	\$ 263,449,979
Segment profit	\$ 22,109,624	\$ 273,781	(\$ 273,781)	\$ 22,109,624
Segment's total assets	\$ 5,374,983,809	\$ 16,633,300	(\$ 5,170,469)	\$ 5,386,446,640
2022				
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 276,283,106	\$ 7,013,984	(\$ 63,409)	\$ 283,233,681
Segment profit	\$ 31,553,637	(\$ 1,255,226)	\$ 1,255,226	\$ 31,553,637
Segment's total assets	\$ 5,264,756,311	\$ 14,234,876	(\$ 3,080,160)	\$ 5,275,911,027

Note: Adjustment and write-off are mainly adjustments in line with the journal entry for consolidation purpose.

(3) Geographical information

There is no requirement for geographical information disclosure since no foreign operating segment held by the Consolidated Company.

(4) Major customer information

There is no requirement for additional disclosure since no significant customer accounted for 10% or more of the Consolidated Company's operating revenues.

INDEPENDENT AUDITORS' REPORT

PWCR22000535

To Nan Shan Life Insurance Company, Limited

Opinion

We have audited the accompanying consolidated balance sheets of Nan Shan Life Insurance Co., Ltd. and its subsidiary (the "Consolidated Company") as at December 31, 2022 and 2021, 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 Consolidated Company as at December 31, 2022 and 2021, 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 Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Consolidated Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Company's 2022 consolidated financial statements. 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.

Insurance contract liabilities-policy reserves

Description

For the accounting policy for policy reserves, please refer to Note 4 of the consolidated financial statements; for details on insurance contract liabilities, please refer to Note 6(21) of the consolidated financial statements.

Policy reserves for long-term insurance contracts are provisioned in accordance with related insurance regulations and the insurance product statements of each product as approved by the competent authority; the discount rate is the policy reserve specified interest rate as recorded by the competent authority. Nan Shan Life Insurance Co., Ltd.'s policy reserves as at December 31, 2022, accounts for 91% of total liabilities. Considering that the accuracy of policy reserve calculation results is material with respect to the financial statements, we have thus included policy reserves as one of the key audit matters in our audit in 2022.

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 summarised as follows:

1. Obtained an understanding and assessed the related policies, internal controls, and processing procedures for the calculation of Nan Shan Life Insurance Co., Ltd.'s policy reserves.
2. On a sample basis, tested the effectiveness of internal controls for the calculation of policy reserves. This included the following procedures:
 - (1) Examined authorisation documents for the configuration of new products in order to confirm the accuracy of configurations for new products done by the actuarial system.
 - (2) Inspected the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of policy reserve calculations.
 - (3) Examined the consistency between policy information and information in the policy system in order to confirm the accuracy of policy information for calculating policy reserves.
3. We used the work of actuarial specialists to assist us in comparing the provision method and assessing the reasonableness of policy reserves at balance sheet date. This included the following procedures:
 - (1) On a sample basis, tested representative new products in the current period in order to confirm that Nan Shan Life Insurance Co., Ltd.'s method and results of provisioning reserves were consistent with those of the insurance product statement submitted to the competent authority.
 - (2) Performed trend analysis (excluding new products, universal life insurance, and variable interest annuities) and roll analysis in order to assess the reasonableness of the policy reserves at balance sheet date.

Adequacy of insurance contract liabilities

Description

For the accounting policy regarding the adequacy of insurance contract liabilities, please refer to Note 4 of the consolidated financial statements; for the critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

Nan Shan Life Insurance Co., Ltd.'s insurance contract liabilities as at December 31, 2022, accounts for 92% of total liabilities. In accordance with IFRS 4, 'Insurance Contracts', insurance contracts should be tested for liability adequacy at every balance sheet date in order to reflect Nan Shan Life Insurance Co., Ltd.'s current estimates of future cash flows; of which, various assumptions such as discount rate (i.e. rate of investment return), mortality rate, morbidity rate, lapse rate, and expense rate involve human subjective judgement. Considering that there will be a material impact on the financial statements if insurance liabilities are not adequate, we have thus included the adequacy of insurance liabilities as one of the key audit matters in our audit in 2022.

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 summarised as follows:

We used the work of actuarial specialists to assist us in assessing the reasonableness of elected methods and various assumptions. This included the following procedures:

1. Compared whether there were significant differences between the current period and the previous period for major assumptions other than the discount rate (such as the mortality rate, morbidity rate, lapse rate, and expense rate). If there were significant differences, then related documents and explanations with regard to Nan Shan Life Insurance Co., Ltd.'s actuary assumptions were obtained. Current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumption.
2. Referenced current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts.
3. Confirmed the accuracy of the cash flow model through independent sample testing.
4. Recalculated the current estimates of future cash flows using the overall cash flows and discount rate assumptions provided by Nan Shan Life Insurance Co., Ltd.
5. Compared the carrying amounts of insurance liabilities to the current estimates of future cash flows from insurance contracts.

Reclassification of financial assets

Description

For the accounting policy regarding the reclassification of financial assets, please refer to Note 4 of the consolidated financial statements; for details of effects from the reclassification of financial assets, please refer to Note 14(8) of the consolidated financial statements.

According to IFRS 9, Nan Shan Life Insurance Co., Ltd. reclassified all affected financial assets on October 1, 2022, as mentioned in Note 14(8) of the consolidated financial statements. Considering that the result of reclassification of financial assets had a material impact on the financial statements, and we have thus included the reclassification of financial assets as one of the key audit matters in our audit in 2022.

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 summarised as follows:

1. Understood and assessed related policies, internal control system, and processing procedures for the change of the business model for managing financial assets of Nan Shan Life Insurance Co., Ltd., and selected samples to check the supporting documents after the change of business model.
2. Obtained the details of financial assets at amortised cost which were reclassified from financial assets at fair value through other comprehensive income and verified related records.
3. Obtained valuation reports of affected financial assets at fair value on the reclassification date and the balance sheet date and selected samples to test the accuracy of fair value.

Accuracy and completeness of the assets and liabilities on insurance products - separate account

Description

For the accounting policy regarding the assets and liabilities on insurance products - separate account, please refer to Note 4 of the consolidated financial statements; for details on assets and liabilities on insurance products - separate account, please refer to Note 6(16) of the consolidated financial statements.

Nan Shan Life Insurance Co. Ltd. sells investment-linked insurance products in accordance with “Insurance Act” and “Regulations Governing Investment of Investment-linked Insurance”. Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. In accordance with the “Regulations Governing the Preparation of Financial Reports by Insurance Institutions”, the assets and liabilities of the separate account are classified as assets and liabilities on insurance products - separate account. As described in the Note 6(16) of consolidated financial statements, Nan Shan Life Insurance Co. Ltd. has established relevant control mechanisms and continued to improve the investment-linked insurance product information system. Also, investment-linked insurance products involved various transaction types, insurance policies and the transference of data between different

systems. Considerable audit resources were needed in order to verify the accuracy and the completeness of data transference between investment-linked insurance product system and the rights of the insured has been adequately reflected in the balance sheets. Thus, we consider the accuracy and completeness of the assets and liabilities on insurance products - separate account as one of the key audit matters in our audit in 2022.

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 summarised as follows:

1. Understood and assessed related policies, internal control system, and processing procedures of investment-linked products of Nan Shan Life Insurance Co. Ltd. and selected samples to check the main transaction cycle and the supporting documents of control mechanism.
2. We verified procedures on the components of assets and liabilities on insurance products - separate accounts, including:
 - (1) Performed confirmation procedures on bank deposits and financial assets at fair value through profit or loss and verified records and relevant reconciliation statements.
 - (2) Obtained valuation report of financial assets at fair value through profit or loss and selected samples to test the accuracy of fair value.
 - (3) Obtained trial balance of other receivables and other payables, checked the nature and classification and selected samples to test relevant supporting documents.
 - (4) For the account value of separate account, we checked the consistency of total value of policies of policy system and selected samples to test the account value, which transactions were purchased but not completed.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Nan Shan Life Insurance Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of 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 Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company 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 Nan Shan Life Insurance Co., Ltd. and its subsidiary's financial reporting process.

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

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

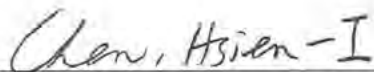
1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Consolidated Company'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 Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Consolidated Company 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.

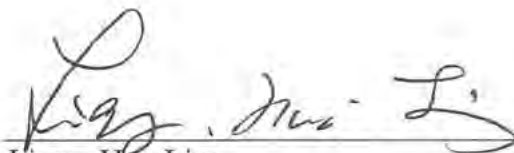
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with 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.

From the matters communicated with those charged with governance, 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 auditors' 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.



Chen, Hsien-I



Liang, Hua-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 9, 2023

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 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.

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Cash and cash equivalents	6(1)(8)	\$ 98,163,350	2	\$ 177,566,730	3
Receivables	6(2) and 12(3)	56,384,806	1	61,233,996	1
Current tax assets		1,042,474	-	804,548	-
Financial assets at fair value through profit or loss	6(3)(8)	931,841,974	18	1,141,234,972	22
Financial assets at fair value through other comprehensive income	6(4) and 12(3)	235,055,420	4	1,498,660,492	28
Financial assets at amortised cost	6(5) and 12(3)	3,311,180,763	63	1,788,702,003	34
Investments accounted for using equity method	15(2)	5,591	-	3,376	-
Investment property	6(9)	198,615,377	4	199,300,355	4
Loans	6(10) and 12(3)	113,923,449	2	117,420,850	2
Reinsurance contract assets	6(21)	4,410,141	-	3,961,419	-
Property and equipment	6(11)	16,809,216	-	14,174,506	-
Right-of-use assets	6(12)	908,186	-	891,938	-
Intangible assets	6(14)	14,521,664	-	15,142,498	-
Deferred tax assets		63,128,990	1	32,305,190	1
Other assets	6(15)	36,898,743	1	27,210,520	1
Assets on insurance products-separate account	6(16)	193,020,883	4	210,667,553	4
TOTAL ASSETS		<u>\$ 5,275,911,027</u>	<u>100</u>	<u>\$ 5,289,280,946</u>	<u>100</u>

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2022		December 31, 2021	
		AMOUNT	%	AMOUNT	%
Short-term debts	6(7)(8)(17)	\$ 12,992,000	-	\$ -	-
Payables	6(18)	25,072,333	1	16,158,860	-
Current tax liabilities		892,165	-	4,162,599	-
Financial liabilities at fair value through profit or loss	6(3)(8)(19)	16,085,125	-	1,250,127	-
Bonds payable	6(20)	42,000,000	1	42,000,000	1
Insurance contract liabilities	6(21)	4,585,938,400	87	4,405,863,000	83
Reserve for insurance with nature of financial instruments	6(22)	642,763	-	501,767	-
Reserve for foreign exchange valuation	6(23)	42,592,110	1	7,392,686	-
Provisions	6(24)	3,315,273	-	4,623,419	-
Lease liabilities	6(12)	19,498,235	-	20,879,263	-
Deferred tax liabilities		23,886,131	-	35,371,722	1
Other liabilities	6(26)	28,399,360	1	28,888,935	1
Liabilities on insurance products-separate account	6(16)	193,020,883	4	210,667,553	4
Total Liabilities		4,994,334,778	95	4,777,759,931	90
Capital					
Common stock		138,219,000	2	138,219,000	3
Capital surplus		9,187,500	-	9,187,500	-
Retained Earnings					
Legal reserve		38,585,413	1	26,593,210	-
Special reserve		180,792,687	3	142,760,508	3
Undistributed earnings		35,719,640	1	59,352,445	1
Other equity interest		(120,927,991)	(2)	135,408,352	3
Total Equity	6(27)	281,576,249	5	511,521,015	10
TOTAL LIABILITIES AND EQUITY		\$ 5,275,911,027	100	\$ 5,289,280,946	100

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				Changes Percentage (%)
		2022		2021		
		AMOUNT	%	AMOUNT	%	
Operating Revenues						
Premium income from written policy		\$ 282,939,746	59	\$ 346,429,611	60	(18)
Reinsurance premium income		293,935	-	267,587	-	10
Premium Income		283,233,681	59	346,697,198	60	(18)
Less : Reinsurance premium ceded		(6,504,266)	(2)	(6,689,131)	(1)	(3)
Net change in unearned premium reserve	6(21)	(1,082,191)	-	(764,968)	-	41
Retention Earned Premium Income	6(30)	275,647,224	57	339,243,099	59	(19)
Reinsurance commission income		2,060,868	1	2,334,528	1	(12)
Fee income	6(16)	2,036,003	-	2,147,652	-	(5)
Net Investment Income (Loss)						
Interest income	6(32)	127,827,387	27	118,975,144	21	7
(Loss) gain on financial assets and liabilities at fair value through profit or loss	6(3)	(319,735,977)	(67)	138,946,498	24	(330)
Realised gain on financial assets at fair value through other comprehensive income	6(4)	1,162,220	-	34,562,400	6	(97)
Gain from derecognition of financial assets at amortised cost	6(5)	1,624,785	-	4,682,493	1	(65)
Share of gain of associates and joint ventures accounted for using equity method	15(2)	2,215	-	662	-	235
Foreign exchange gain (loss)		230,985,353	48	(57,732,541)	(10)	(500)
Net change in reserve for foreign exchange valuation	6(23)	(35,199,424)	(7)	(3,561,544)	(1)	888
Gain on investment property	6(9)	2,082,280	-	2,325,688	1	(10)
Expected credit (loss) reversal on investment	6(33)	(6,637,129)	(1)	923,320	-	(819)
Gain (loss) on reclassification using overlay approach	6(3)	193,621,762	41	(27,494,410)	(5)	(804)
Subtotal		195,733,472	41	211,627,710	37	(8)
Other operating revenues		146,494	-	21,448	-	583
Revenue on insurance products-separate account	6(16)	3,136,553	1	16,057,489	3	(80)
Total Operating Revenues		478,760,614	100	571,431,926	100	(16)

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				Changes Percentage (%)
		2022		2021		
		AMOUNT	%	AMOUNT	%	
Operating Costs						
Claims and policy benefits payments		(\$ 330,553,698)	(69)	(\$ 275,112,896)	(48)	20
Less : Claims recovered from reinsurers		<u>2,998,741</u>	<u>1</u>	<u>2,633,878</u>	<u>1</u>	14
Retention Claims and Policy Benefits Payments	6(31)	(327,554,957)	(68)	(272,479,018)	(47)	20
Net change in other insurance contract liabilities	6(21)	(66,905,641)	(14)	(175,303,178)	(31)	(62)
Net change in reserve for insurance with nature of financial instruments	6(22)	(134,195)	-	(216,257)	-	(38)
Underwriting expenses		(14,482)	-	(16,603)	-	(13)
Commission expenses		(17,510,903)	(4)	(16,677,671)	(3)	5
Other operating costs		(552,163)	-	(782,495)	-	(29)
Finance costs	6(34)	(1,529,752)	-	(1,479,371)	-	3
Expenses on insurance products-separate account	6(16)	(3,136,553)	(1)	(16,057,489)	(3)	(80)
Total Operating Costs		<u>(417,338,646)</u>	<u>(87)</u>	<u>(483,012,082)</u>	<u>(84)</u>	(14)
Operating Expenses	6(35)					
General expenses		(10,111,573)	(2)	(10,869,282)	(2)	(7)
Administrative expenses		(11,422,035)	(3)	(11,420,712)	(2)	-
Employee training expenses		(17,294)	-	(23,932)	-	(28)
Expected credit (loss) reversal on non-investment	6(33)	(5,846)	-	(7,468)	-	(22)
Total Operating Expenses		<u>(21,556,748)</u>	<u>(5)</u>	<u>(22,321,394)</u>	<u>(4)</u>	(3)
Operating Income		39,865,220	8	66,098,450	12	(40)
Non-Operating Income and Expenses		<u>(2,892)</u>	<u>-</u>	<u>26,630</u>	<u>-</u>	(111)
Profit from Continuing Operations before Income Taxes		39,862,328	8	66,125,080	12	(40)
Income Tax Expense	6(28)	<u>(8,308,691)</u>	<u>(2)</u>	<u>(6,431,667)</u>	<u>(1)</u>	29
Net Income		<u>\$ 31,553,637</u>	<u>6</u>	<u>\$ 59,693,413</u>	<u>11</u>	(47)
Other Comprehensive Income						
Components of other comprehensive income that will not be reclassified to profit or loss						
Remeasurements of defined benefit plans	6(25)	\$ 1,278,466	-	\$ 369,419	-	246
Unrealised (loss) gain on equity instruments at fair value through other comprehensive income	6(4)	(692,496)	-	(738,850)	-	(194)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	(180,510)	-	(163,799)	-	10
Components of other comprehensive income that will be reclassified to profit or loss						
Exchange differences on translation of foreign financial statements	6(27)	13,700	-	(3,782)	-	(462)
Loss on debt instruments measured at fair value through other comprehensive income	6(4)	(110,151,637)	(23)	(97,233,813)	(17)	13
Other comprehensive (loss) gain on reclassification using overlay approach	6(3)	(193,621,762)	(40)	(27,494,410)	(5)	(804)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(28)	<u>48,001,836</u>	<u>10</u>	<u>13,313,829</u>	<u>2</u>	261
Other Comprehensive (Loss) Income, Net of Income Tax		<u>(255,352,403)</u>	<u>(53)</u>	<u>(55,484,886)</u>	<u>(10)</u>	360
Total Comprehensive (Loss) Income		<u>(\$ 223,798,766)</u>	<u>(47)</u>	<u>\$ 4,208,527</u>	<u>1</u>	(5418)
Earnings per Share	6(29)					
Basic and Diluted		\$ 2.28		\$ 4.32		

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent								
		Retained Earnings					Other equity interest			
							Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings					Total equity
<u>For the year ended December 31, 2021</u>										
Balance at January 1, 2021	\$ 138,219,000	\$ 9,187,500	\$ 25,248,888	\$ 106,937,094	\$ 36,559,165	(\$ 18,060)	\$ 143,594,185	\$ 147,155	\$ 47,423,308	\$ 507,298,235
Net income for 2021	-	-	-	-	59,693,413	-	-	-	-	59,693,413
Other comprehensive income (loss) for 2021	-	-	-	-	295,536	(3,782)	(77,832,188)	-	22,055,548	(55,484,886)
Total comprehensive income (loss) for 2021	-	-	-	-	59,988,949	(3,782)	(77,832,188)	-	22,055,548	4,208,527
Distribution of 2020 earnings										
Legal reserve	-	-	7,406,440	-	(7,406,440)	-	-	-	-	-
Special reserve	-	-	-	35,214,844	(35,214,844)	-	-	-	-	-
Legal reserve used in offsetting deficits	-	-	(6,062,118)	-	6,062,118	-	-	-	-	-
Disposal of equity instruments at fair value through other comprehensive income	6(4)	-	-	-	(42,186)	-	42,186	-	-	-
Disposal of special reserves transferred from investments in equity instruments at fair value through other comprehensive income of participating policy	6(21)	-	-	-	14,253	-	-	-	-	14,253
Provision for special reserve for catastrophe reserve and risk claim reserve	-	-	-	2,398,994	(2,398,994)	-	-	-	-	-
Recovery of special reserve for catastrophe reserve and risk claim reserve	-	-	-	(1,902,700)	1,902,700	-	-	-	-	-
Dividend offset reserve reclassified into special reserve	-	-	-	100,173	(100,173)	-	-	-	-	-
Provision for special reserve for travel insurance	-	-	-	12,103	(12,103)	-	-	-	-	-
Balance at December 31, 2021	6(27)	\$ 138,219,000	\$ 9,187,500	\$ 26,593,210	\$ 142,760,508	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 511,521,015

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent									
		Retained Earnings					Other equity interest				
Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach	Total equity	
<u>For the year ended December 31, 2022</u>											
Balance at January 1, 2022	\$ 138,219,000	\$ 9,187,500	\$ 26,593,210	\$ 142,760,508	\$ 59,352,445	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 511,521,015	
Net income for 2022	-	-	-	-	31,553,637	-	-	-	-	31,553,637	
Other comprehensive income (loss) for 2022	-	-	-	-	1,022,772	13,700	(89,776,330)	-	(166,612,545)	(255,352,403)	
Total comprehensive income (loss) for 2022	-	-	-	-	32,576,409	13,700	(89,776,330)	-	(166,612,545)	(223,798,766)	
Distribution of 2021 earnings											
Legal reserve	-	-	11,992,203	-	(11,992,203)	-	-	-	-	-	
Special reserve	-	-	-	41,214,209	(41,214,209)	-	-	-	-	-	
Cash dividends	-	-	-	-	(6,146,000)	-	-	-	-	(6,146,000)	
Disposal of equity instruments at fair value through other comprehensive income	6(4)	-	-	-	(38,832)	-	38,832	-	-	-	
Provision for special reserve for catastrophe reserve and risk claim reserve	-	-	-	2,340,472	(2,340,472)	-	-	-	-	-	
Recovery of special reserve for catastrophe reserve and risk claim reserve	-	-	-	(5,643,548)	5,643,548	-	-	-	-	-	
Dividend offset reserve reclassified into special reserve	-	-	-	105,765	(105,765)	-	-	-	-	-	
Provision for special reserve for travel insurance	-	-	-	15,281	(15,281)	-	-	-	-	-	
Balance at December 31, 2022	6(27)	\$ 138,219,000	\$ 9,187,500	\$ 38,585,413	\$ 180,792,687	\$ 35,719,640	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	\$ 281,576,249

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	For the year ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 39,862,328	\$ 66,125,080
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit loss (reversal) on investments	6,637,129	(923,320)
Expected credit loss (reversal) on non-investments	5,846	7,468
(Gain) loss on reclassification using overlay approach	(193,621,762)	27,494,410
Interest income	(127,827,387)	(118,975,144)
Dividend income	(32,859,195)	(27,796,656)
Finance costs	1,529,752	1,479,371
Depreciation and amortisation	2,096,998	1,875,513
Loss (gain) on financial assets and financial liabilities at fair value through profit or loss	191,925,952	(32,442,496)
Unrealised foreign exchange (gain) loss	(238,309,897)	14,410,590
Net change in insurance contract liabilities	67,987,832	176,068,146
Net change in reserve for insurance with nature of financial instruments	134,195	216,257
Net change in reserve for foreign exchange valuation	35,199,424	3,561,544
Fair value adjustment of investment property	1,112,872	789,301
Share of gain of associates and joint ventures accounted for using equity method	(2,215)	(662)
Others	4,369,185	4,407,179
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in receivables	7,491,013	(11,172,615)
Decrease (increase) in financial assets or liabilities at fair value through profit or loss	34,217,937	(19,608,338)
Decrease (increase) in financial assets at fair value through other comprehensive income	1,179,048	(316,188,863)
(Increase) decrease in financial assets at amortised cost	(17,460,543)	85,025,604
(Increase) decrease in reinsurance contract assets	(363,001)	346,582
(Increase) decrease in other assets	(7,344,628)	1,912,411
Changes in operating liabilities		
Increase in short term debt	12,992,000	-
Increase (decrease) in payables	8,988,461	(8,326,716)
(Decrease) increase in provisions	(29,680)	15,589
Decrease in other liabilities	(1,071,208)	(7,505,357)
Cash outflow generated from operations	(203,159,544)	(159,205,122)
Interest received	103,610,706	96,766,973
Dividend received	32,621,536	27,546,251
Interest paid	(1,803,469)	(1,708,509)
Income tax refunded	1,000,772	3,361,233
Income tax paid	(7,420,044)	(16,741,868)
Net cash flows used in operating activities	(75,150,043)	(49,981,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in loans	3,941,907	3,446,090
Acquisition of investment property	(3,088,890)	(4,007,553)
Proceeds from disposal of investment property	42,580	329,562
Acquisition of property and equipment	(1,307,619)	(380,358)
Increase in intangible assets	(532,947)	(475,428)
Acquisition of right-of-use assets	-	(80,829)
Net cash flows used in investing activities	(944,969)	(1,168,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal portion of lease liabilities	(669,354)	(602,871)
Dividend paid	(6,146,000)	-
Net cash flows used in financing activities	(6,815,354)	(602,871)
Effects of exchange rate changes on cash and cash equivalents	3,506,986	(2,235,778)
Net decrease in cash and cash equivalents	(79,403,380)	(53,988,207)
Cash and cash equivalents at beginning of year	177,566,730	231,554,937
Cash and cash equivalents at end of year	\$ 98,163,350	\$ 177,566,730

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise stated)

1. HISTORY AND BUSINESS ACTIVITY

Nan Shan Life Insurance Company, Limited (the “Company”) was incorporated in July 1963. The Company engages in the business of life, health, personal accident and annuity insurance. Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”), the Company’s ultimate parent company, holds 89.55% equity interest in the Company. On September 5, 2011, Ruen Chen transferred 7,678,931,390 shares to the trust account with First Bank, to demonstrate its determination to invest in the Company for long-term purpose and fulfill its commitments to the relevant government authorities. The aforementioned shares have been returned to Ruen Chen on September 16, 2021 due to the expiration of the trust account. The Company was qualified as a public company on July 16, 2012 with the approval of Jin-Guan-Zheng-Fa Letter No. 1010030238 of the Financial Supervisory Commission. The Company obtained the establishment license and business license of its offshore insurance branch which commenced its operations on October 21, 2015.

The Company has been permitted to acquire 100% shares of AIG Taiwan Insurance Co., Ltd. (“AIG Taiwan”) with Jin-Guan-Bao-Chan Letter No.10502524122 of FSC dated July 18, 2016 and the equity transfer became effective on September 1, 2016. AIG Taiwan then became a subsidiary of the Company. On the same day, it was renamed Nan Shan General Insurance Co., Ltd. (the “Subsidiary”), which is primarily engaging in property insurance for individuals and medium and small businesses.

The Company has tendered for the transfer of assets, liabilities and business by Chaoyang Life Insurance Co. Ltd (“Chaoyang”), which is led by Taiwan Insurance Guaranty Fund; and the assignment and assumption agreement is made and entered into as of January 18, 2017. The transfer became effective on May 2, 2017, therefore, the Company assumed all assets, liabilities and business except for those reserved for Chaoyang.

For the years ended December 31, 2022 and 2021, the Company’s consolidated financial statements disclosed information about the Company and the Subsidiary (the “Consolidated Company”). Please refer to Note 4(3) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 9, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) that come into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(2) <u>Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Consolidated Company</u>	
New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:	

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>	
New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:	

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, assets and liabilities on consolidated financial statements that are not classified as current or non-current accounts shall be classified by their nature and comparative liquidity. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Consolidated Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) At fair value

I. Financial assets and liabilities (including derivative instruments) at fair value through

- profit or loss;
- II. Financial assets at fair value through other comprehensive income; and
- III. Investment property (excluding participating policy liability-linked investment property and constructions in progress).
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- (c) Reinsurance reserve assets, insurance contract liabilities, and reserve for foreign exchange valuation actuarially recognised in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and relevant regulations.
- B. The preparation of financial statements in conformity with IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries are all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Consolidated Company.
- B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
The Company	Nan Shan General Insurance Company, Ltd.	Property insurance	100	100

(4) Foreign currency translations

Items included in the financial statements of the Consolidated Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (TWD), which is the Company's functional currency and the Consolidated Company's presentation currency.

- A. Foreign currency transactions and balances
 - (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the current period.
 - (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the end of the reporting period. Exchange differences arising upon re-translation at the end of the reporting period are recognised in

profit or loss in the current period.

- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the reporting period; their translation differences are recognised in profit or loss in the current period. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the reporting period; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) Foreign exchange gains and losses for monetary investment principal, interest-earned and insurance contract liabilities denominated in foreign currencies are recognised in net income or loss from investments. Other foreign exchange gains and losses that do not arise from investing activities are recognised in other operating revenues or other operating costs.

B. Translation of foreign operations

The operating results and financial position of all the Consolidated Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at spot exchange rates of trade date; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets and liabilities

On a regular way purchase or sale basis, financial assets are recognised and derecognised using trade date accounting. The classifications of financial assets and liabilities are summarised as follows:

A. Financial assets at fair value through profit or loss

- (a) Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- (b) At initial recognition, the Consolidated Company measures the financial assets or liabilities at fair value plus transaction costs that can be directly attributed to the financial assets or liabilities, or recognised the transaction costs in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- (c) Gain or loss on financial assets or liabilities at fair value through profit or loss recognised in the consolidated statement of comprehensive income include gain or loss arising from transactions, dividend income, interest income, and gain or loss on valuation of financial

- assets and liabilities at fair value at the end of the reporting period.
- (d) Financial assets that meet one of the following criteria are designated using overlay approach:
 - I. It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - II. It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
 - (e) The Consolidated Company can, if needed, use overlay approach on the designated financial assets. Overlay approach is an accounting treatment to reclassify an amount between profit or loss or other comprehensive income, and the profit or loss arising from designated financial assets at the financial period-end is in line with the profit or loss arising from designated financial assets under IAS 39. Therefore, reclassification mainly arose from the differences from following items:
 - I. The amount reported in profit or loss for the designated financial assets applying IFRS 9; and
 - II. The amount that would have been reported in profit or loss for the designated financial assets if the insurer had applied IAS 39.
- B. Financial liabilities at fair value through profit or loss
- (a) Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
 - (b) At initial recognition, the Consolidated Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and the derivative gain or loss recognised in profit or loss.
- C. Financial assets at fair value through other comprehensive income
- (a) Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Consolidated Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - II. The assets' contractual cash flows represent solely payments of principal and interest.
 - (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. The Consolidated Company subsequently measures the financial assets at fair value:
 - I. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Consolidated Company and the amount of the dividend can be measured reliably.
 - II. Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

D. Financial assets at amortised cost

- (a) Financial assets at amortised cost are those that meet all of the following criteria:
 - I. The objective of the Consolidated Company's business model is achieved by collecting contractual cash flows; and
 - II. The assets' contractual cash flows represent solely payments of principal and interest.
- (b) At initial recognition, the Consolidated Company measures the financial assets at fair value plus transaction costs. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such asset is recognised in profit or loss.

E. Loans and receivables

(a) Receivables

Receivables are receivables originated by the entity. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term receivables without bearing interest are subsequently measured at initial amount as the effect of discounting is immaterial.

(b) Loans

Loans include secured loans, life insurance policy loans and automatic policy loans, among which, secured loans are loans collateralised by real estate. Life insurance policy loans are loans made to the policyholders with their insurance policies as collaterals in accordance with the Consolidated Company's insurance contract terms. Automatic policy loans refer to the Consolidated Company can use the policy value reserve (net of loan principal and interest if having life insurance policy loans) at the time the policyholders file the application to settle the unpaid premium and interest on behalf of the policyholders in accordance with the insurance contract terms. Loans are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

F. Other financial assets

Other financial assets are not attributable to any category described above and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

G. Bonds payable

Ordinary corporate bonds issued by the Consolidated Company are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

H. Derecognition of financial assets

The Consolidated Company derecognises a financial asset when one of the following conditions is met:

- (a) The contractual rights to receive the cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows of the financial asset have been transferred and the Consolidated Company has transferred substantially all the risks and rewards of ownership of the financial asset.
- (c) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Consolidated Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has not retained control of the financial asset.

I. Derecognition of financial liabilities

A financial liability is derecognised, when the obligation under the liability specified in the contract is discharged, cancelled or expires.

J. Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

K. Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost, at each balance sheet date, the Consolidated Company recognises the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate if the financial assets have been impaired at the balance sheet date.

L. Reclassification of financial assets

According to IFRS 9, when, and only when, the Consolidated Company changes its business model for managing financial assets, it shall reclassify all affected financial assets. If the Consolidated Company reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss.

(7) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related to the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(8) Bonds sold under repurchase agreements

Bonds sold under repurchase agreements are initially recorded at cost and are presented within 'short-term debts' based on the nature of the financing transactions. During the period of selling and designated repurchase date, interest expenses are recognised on an accrual basis.

(9) Allowance for loss/bad debts

Allowance for loss/bad debts on financial assets of debt instrument at fair value through other comprehensive income, financial assets at amortised cost, loans, receivables and other financial assets under amortised cost and reinsurance contract assets should be assessed and recognised in accordance with IFRS 9, IFRS 4 and FSC's "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises".

(10) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Consolidated Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Consolidated Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Consolidated Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Consolidated Company does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

(11) Investment property

- A. The investment properties of the Consolidated Company (including constructions in progress) are land and buildings with operating lease, held to earn rentals or for capital appreciation or both. An investment property is stated initially at its cost including the direct cost attributable to the acquisition of the asset and measured subsequently using the fair value model. The participating policy liability-linked investment properties (returns paid by the liabilities are directly linked to the returns from the investment properties) are measured subsequently using the cost model.
- B. Investment property that subsequently applies cost model is measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of investment property with cost model that is significant in relation to the total cost of the item must be depreciated separately. For investment property that subsequently applies fair value model, gains or losses arising from changes in fair value are recognised in profit or loss in the period incurred. The Consolidated Company should set aside special reserve from net cumulative incremental gains arising from changes in fair value in subsequent periods after approval by the stockholders. Please refer to Note 6(27).
- C. Part of the property may be held by the Consolidated Company for self-use purpose and the remaining are used to generate rental income or for capital appreciation. If the property held by the Consolidated Company can be sold individually, then the accounting treatment should be made respectively. IAS 16 applies to the self-use property, and property used to generate rental income or for capital appreciation or both is applicable for investment property set out in IAS 40. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.
- D. The subsequent costs of major improvements, acquisitions and renovations are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is

probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- E. When the investment property is reclassified as property and equipment after a change in use, the carrying amount or fair value at the time of change is used as deemed cost. An investment property is derecognised when it is disposed or no longer used and there is no future economic benefits arising from the disposition thereof. When an investment property is derecognised, any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The gain or loss on disposal of investment property, the rental income and the relevant expense are recognised as “Gain/loss on investment property” under the Consolidated Company’s operating nature.
- F. Investment property that subsequently applies cost model, including buildings and significant objects (elevators, air-conditioning equipment, and improvements) with the exception of land, are depreciated on a straight-line basis over their estimated useful life of 27-43 years and 3-43 years, respectively.
- G. If the Consolidated Company determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). If the Consolidated Company determines that the fair value of an investment property under construction is still not reliably measurable after completion, the Consolidated Company shall measure that investment property using the cost model under IAS 16. The residual value of the investment property shall be assumed to be zero until disposal of the investment property.
- H. The assets’ residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change.
- I. By applying IFRS 16 “Lease”, the right of superficies contracts, which the Consolidated Company entered into, pertains to an operating lease. The recognition of right-of-use assets adopts fair value of investment property model in IAS 40.

(12) Property and equipment

- A. The cost of property and equipment includes its purchase price, any cost directly attributable to the asset, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- B. The subsequent costs of major improvements, acquisitions and renovations are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Normal repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. When the purpose of holding the real estate has changed from for own use to for investment

carried at fair value, any difference between the carrying amount of the property and its fair value shall be processed with revaluation in accordance with IAS 16. If there is any decrease in the carrying amount of the property, the decrease is recognised in profit or loss. If there is any increase in the carrying amount, recognised impairment loss shall be reversed with the remaining part of the increase recognised in other comprehensive income. Revaluation increments within other equity shall be increased simultaneously and the real estate should be reclassified as investment property based on its fair value at the date of the change.

- D. Land is not depreciated and leasehold improvements are depreciated on a straight-line basis with the shorter of the lease period or the estimated useful life. Other assets are depreciated on a straight-line basis over their estimated useful life. The estimated useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Buildings and constructions	
Buildings and constructions	32 to 60 years
Elevators, air-conditioning equipment and improvements	3 to 35 years
Computer equipment	3 to 20 years
Transportation equipment	7 to 15 years
Other equipment	1 to 20 years
Leasehold improvements	2 to 7 years

- E. The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and, if expectations differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have significantly changed, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(13) Leasing arrangements (lessor) — operating leases

The Consolidated Company's lease contracts are all operating leases, where substantially all risks and rewards of ownership of the assets remain with the lessor. Assets involved in operating lease are recognised under 'investment property'. Direct costs attributable to operating lease negotiations should be added to the carrying amount of lease assets. Related lease revenues are recognised under 'gain on investment property'. Rental income from operating lease include rental rewards and confirmed long-term future rent adjustment, which are recognised as gain and loss on a straight-line basis over the lease terms.

(14) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Consolidated Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Consolidated Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between original and remeasured lease liability in profit or loss.

(15) Intangible assets

A. Computer software

The computer software is measured at cost less cumulative amortisation and accumulated impairment. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated economic useful lives. The computer software has a useful life of 1 to 20 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Licences

Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences are intangible assets with useful life, and are amortised over 10~12 years based on the estimated benefits derived from each period.

(16) Impairment of non-financial assets

- A. The Consolidated Company assesses at each end of reporting period the recoverable amounts of those assets with an indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised cost would have been if the impairment had not been recognised. Impairment loss recognised and reversed is classified under non-operating income and expenses.
- B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination.

(17) Salvages assumed and rights of claim by subrogation

Under direct underwriting business, salvages, rights to subject matter insured or rights to claim indemnification against claims settlement cost, which are acquired according to law from claims settlement process, should be recognised when the retrieve is ascertained and the amount can be reliably measured.

(18) Classification and measurement of insurance products

A. Classification

- (a) Insurance products are classified according to the requirements in IFRS 4. The Consolidated Company should identify whether its underwritten insurance policies assume insurance risk and other risks components, and judge whether contract components can be separated and individually calculated. The results of such judgements will affect the classifications of insurance contracts. In addition, the Consolidated Company should also make critical judgements on whether its underwritten insurance policies have transferred insurance risks, whether there is commercial substance for the transferred insurance risks and whether transferred insurance risks are material, as well as conduct transfer testing on significant insurance risks. The results of such judgements will impact the classifications of insurance contracts.
- (b) Insurance contract refers to a contract under which the Consolidated Company accepts significant risk transferred from the policyholder by agreeing to compensate the policyholder if a specified uncertain future insured event adversely affects the policyholder, including reinsurance contracts with significant risk transferred. Non-insurance contracts (also called investment contracts) are insurance contracts with a nature of financial instruments that are exposed to financial risks but without significant transferred insurance risks. The definition of significant transferred insurance risks employed by the Consolidated Company here refers to any event or incident occurring that leads to the Consolidated Company's additional significant payment.
- (c) Insurance policies which meet the definition of insurance contracts on initial recognition shall be classified as insurance contracts before all rights and obligations expire or mature, even if the insurance risks have been reduced significantly during coverage period.
- (d) Insurance contracts and investment contracts will be further classified depending on the discretionary participation feature. The discretionary participation feature is a contractual right to receive additional benefit rather than guaranteed benefits, and this kind of right with the following criteria at the same time:
 - I. Additional benefits that are likely to be a significant portion of the total contractual benefits;
 - II. The amount or timing of additional benefits is contractually at the discretion of the Consolidated Company;
 - III. Additional benefits are contractually based on:
 - (i) The performance of a specified pool of contracts or a specified type of contract; or
 - (ii) The investment return on a specified pool of assets held by the Consolidated Company; or
 - (iii) The profit or loss of the Consolidated Company, funds, or other entity that issues

the contract.

(e) Embedded derivatives

For an embedded derivative that meet the definition of an insurance contract, the Consolidated Company does not need to separate the embedded derivative from the host insurance contract; therefore, the entire contract is an insurance contract. For an embedded derivative that does not meet the definition of an insurance contract, the embedded derivative and the insurance contract are recognised separately. The Consolidated Company does not measure the embedded derivatives that meet the definition of insurance contracts, which are closely related to the host insurance contracts. In addition, for policyholder options to surrender a contract for a fixed amount (or an amount based on a fixed amount and a specific interest rate), the Consolidated Company does not need to separate the option from the insurance contract in accordance with IFRS 4.

B. Measurement

(a) Insurance contracts and investment contracts with discretionary participation features

The Consolidated Company's life insurance business recognises revenue and commission expense when receiving the initial premium and underwriting the policy, and when receiving renewal premium. The Consolidated Company's property insurance business considers direct-writing premium revenue to include all premium from underwritten policies and premiums from approved policy revisions during the period covered by the financial report. Reinsurance revenue of assumed reinsurance business was recorded based on the date of receiving bill, reinsurance revenue in transit was estimated by reasonable and systematic method for the financial year ended. The corresponding costs are recognised when incurred, such as commission expense, agent expense and fees. The insurance claim is recognised at actual amount and claim expense for those determined cases during the current period.

(b) Non-insurance contracts (investment contracts)

For an insurance contract classified as an investment contract due to its lack of significant transferred insurance risks, except for 'financial instruments with discretionary participation features (investment contracts)', IFRS 9 should be applied to investment contracts when there are financial assets or financial liabilities arising from investment contracts. The consideration received or paid shall be accounted for using deposit accounting in practice and recognised as financial assets or financial liabilities instead of revenues or expenses. When there is no financial asset or financial liability arising from investment contracts, IFRS 15, 'Revenue from contracts with customers' shall be applied to investment contracts.

(c) Reinsurance contracts

- I. All of reinsurance cessions, premium, commission, claim recovery, payable or receivable are calculated in a manner consistent with the reinsurance contracts.
- II. The Consolidated Company regularly assesses the net interest of reinsurance. When there is objective evidence indicating an event occurred after initial recognition for reinsurance leads to improbability to recover the amount receivable under the terms of contract and the effect on recoverable amount caused by such event can be measured reliably, the Consolidated Company recognises an impairment loss (or allowance for uncollectible accounts) to the extent that the recoverable amount is lower than the carrying amount of abovementioned interest and lists it under selling expense.

- III. The premium expense and commission revenue arising from the reinsurance business and accounts payable for reinsurance are recognised simultaneously with the gain or loss generated by the related insurance contract. Since the net interest arising from the reinsurance contract involves reinsurance reserve assets, amortised claims and payments, and net accounts receivable, they are recognised in the same manner with the reinsurance contract and related reinsurance contract liabilities. The gain or loss on the assets or liabilities of the reinsurance contract is not offset by the loss or profit on the related insurance contract liabilities and related insurance contract.
- IV. The Consolidated Company assesses whether the reinsurance contract should be transferred to the reinsurers where there is significant insurance risk depending on the type of reinsurance contract. In case the reinsurance contract does not transfer significant insurance risk, the contract is recognised and measured with savings accounting because the price earned and paid according to the reinsurance contract is financial liabilities or financial assets, instead of profit or loss.

(19) Provision basis for insurance contract liabilities

A. Life insurance

All reserves of insurance contracts (including investment contracts with discretionary participation features) recognised are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and regulations relevant to insurance enterprises. Except for reserve for policy benefits, claims reserve and premium deficiency reserve with coverage period of more than one year, discount method does not apply to the rest. Explanations of provision basis regarding each reserve are as follows:

(a) Unearned premium reserve

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

(b) Claims reserve

Claims reserve for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance. Claim reserves for the future payment on a regular basis are calculated by discount method. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

(c) Reserve for policy benefit

Long-term insurance contracts are recognised and calculated based on the related regulation and calculation manual approved by the authorities. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

(d) Special reserve

- I. In particular for retention policies with a coverage of less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”, which are provided in accordance with No. 19 and No. 20 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. Except for some reserve set aside for regulatory purpose, special reserve, after deducting income tax, shall be recognised

as special reserve under equity. Additional provision for special reserve and amounts written-off or recovered with respect to special reserve shall be recognised and written-off or recovered from the special reserve under equity.

The release of risk claim reserve, net of tax, is to be appropriated as a special reserve under equity following the resolution adopted at the shareholders' meeting in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without the approval of the Authority.

II. As regulations of the Authority require that if fair value of investment property at the transition date is used as deemed cost, special reserve under insurance liability shall be fully set aside for the appreciation from investment property in excess of other adverse effects arising from the first-time adoption of IFRSs at the transition date. Additionally, according to Jin-Guan-Pao-Tzai Letter No. 10102515281 dated November 30, 2012, upon calculation of liability reserve needed to be strengthened in accordance with fair value standard of effective contract as stipulated in Jin-Guan-Pao-Tzai Letter No. 10102515285 dated November 27, 2012, life insurance enterprises are allowed to reclassify such amount from aforesaid special reserve to 'Reserve for policy benefits-fair value of insurance contract liabilities' from January 1, 2013. After the reclassification, 80% of the remainder, if any, shall be recovered in the first year or in five years and set aside as special reserve under equity upon approval of the competent authority.

III. Profit and loss before tax (before dividends distribution) for participating life insurance should be assessed at each annual closing date in compliance with "The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance". "Special reserve – dividend payment reserve" should be recognised and written off at dividend declaration date. With negative balance of "special reserve – dividend payment reserve of participating insurance", equal amount of "special reserve – dividend liability" should be recognised at the same time.

(e) Premium deficiency reserve

If the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period of over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review.

In addition, potential claims and expenses are estimated for effective contracts yet to mature and casualty insurance contracts with a coverage period of over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

B. Property insurance

The reserves is provided in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", "Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance", "Regulations Governing the Setting Aside of Liability Reserve Provision of Nuclear Energy Insurance" "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance", "Notes for Strengthening Reserve of Pool Members Residential Earthquake", "Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance", "Notes for

Strengthening Catastrophe Reserve of Property Insurance Enterprises” and with actuarial reports approved by former Financial Supervisory Commission, Executive Yuan, R.O.C. Except for special reserve, the provision of reserve was applicable to assumed reinsurance and ceded reinsurance business. The basis for provisioning each insurance liability is as follows:

(a) Unearned premium reserve

During the term of policy, the unearned premium shall be calculated based on unexpired risks of effective and unexpired contracts or covered risks; unearned premium reserve is provided based on the type of insurance, and the provision method is determined by actuaries based on the characteristics of various types of insurance. The reserve for long-term residential fire insurance, long-term commercial fire insurance, financial institution small loan credit insurance, long-term engineering insurance, group injury insurance, performance bond for travel agencies and liability insurance for travel agencies are calculated based on the provision default on product calculation manual or based on other methods by law.

Provided unearned premium reserve is recovered in the next year and provided again based on the actual settlement data.

Unearned premium reserve of compulsory automobile liability insurance is provided as net premium in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”. Residence earthquake insurance is provided as coinsurance ceded net premium in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”.

(b) Claims reserve

Except for government policy-oriented insurance, which include compulsory automobile liability insurances, basic residential earthquake insurances and nuclear energy insurance, claims reserve is calculated for each line of insurance based on past claim experiences and expenses and reserved as either Report But Not Paid or Incurred But Not Reported. Reserves for Reported But Not Paid insurance claims shall be estimated and reserved on a case-by-case basis based on relevant information. This reserve will be recovered in the next year.

Reserves for government policy-oriented insurance are set aside in accordance with regulations. Compulsory automobile liability insurances sets aside a claims reserve using the loss development triangle method in accordance with “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance”; of that amount, a portion is set aside as claims reserve for Incurred But Not Reported claims for reinsurance assumed at a fixed percentage on pure premium earned from reinsurance assumed. Basic residential earthquake insurances set aside a claims reserve according to the figures provided by Taiwan Residential Earthquake Insurance Fund (TREIF) in accordance with “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”. Nuclear energy insurance set aside reserves in line with regulation based on retention earned premiums.

(c) Special reserve

Special reserves for retained business include “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, Nuclear energy insurance residential earthquake insurance and commercial earthquake and typhoon and flood insurance which are covered by other regulations requiring reserves for them to be

recognised under liability, the additional provision for special reserve less income tax should be recognised as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

In accordance with the “Notes of strengthening Catastrophic Reserve of Property Insurance Enterprises” as the balance of reclaim for catastrophe special reserves of typhoon and flood insurance in the current year was more than the one of catastrophe special reserves of other insurance products prior to the enforcement of the guidance, the difference shall be transferred to special reserve in equity, net of income tax. Upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount from special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulation Governing the setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”.

(d) Premium deficiency reserve

Insufficient premium reserve is the estimated possible claim and expense from unexpired contracts or covered risks during the term of policy. When the estimated amount exceeds provided unearned premium reserve and estimated premium income, the difference shall be provided as insufficient premium reserve based on insurance types.

(e) Unqualified reinsurance reserve

Unqualified reinsurance reserve at ceding date or at balance sheet date for inward and outward reinsurance or other risk-diversifying mechanism shall be provided and disclosed in financial statements. Unqualified reinsurance reserve is disclosed in Note 14(6).

For the above-mentioned reserves, other than the unearned premium reserve of long-term fire insurances which is calculated by electing a 7.8% interest rate from the Table of Unearned Premium Reserve of Long-Term Fire Insurance and the “TWD risk-free rate designated by the Competent Authority”, promulgated by the Taiwan Insurance Institute, used in determining the present value of future cash flows for calculating the adequacy of liability reserve, reserves are not calculated by electing the discount method.

(20) Liability adequacy test

The Consolidated Company adopts gross premium valuation method for the liability adequacy test based on the entire contracts of the Consolidated Company, in accordance with “Actuarial Practice Guidelines” issued by the Actuarial Institute of The Republic of China. At each end of the reporting period, the test is performed by comparing the net carrying amount of insurance contract liabilities after deduction of deferred acquisition costs and related intangible assets with the present estimates of insurance contract future cash flows. If the net carrying amount is insufficient, the deficiency is charged to current expense or loss.

(21) Reserve for insurance with nature of financial instruments

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and related interpretations, the Consolidated Company sets aside reserve for financial instruments without discretionary participation features.

(22) Reserve for foreign exchange valuation

In accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company sets aside reserve for foreign exchange valuation under liabilities with regard to the foreign investment assets held (excluding the assets

of foreign currency non-investment-linked insurance products) starting from 2012. Treatments for accumulation limit of related reserves and method for recognition or writing-off shall be in compliance with “Guidelines for Foreign Exchange Reserve by Life Insurance Enterprises”.

The Consolidated Company was allowed to transfer a portion of catastrophe reserve and risk claim reserve under liabilities as the initial amount of reserve for foreign exchange valuation. The initial amount shall never exceed 50% of catastrophe reserve and risk claim reserve as of December 31, 2011. In addition, special reserve under equity should be set aside for the initial amount of foreign exchange reserve transferred within three years from the effective date. Except that the recognised amount shall not be less than 1/3 the original amount after tax for the first year, the cumulative recognition shall not be less than 2/3 the original amount after tax for the first 2 years, which included decreased recovered amounts due to the fact that catastrophe reserve and risk claim reserve were transferred to foreign exchange reserve.

(23) Provisions

Provisions are recognised when the Consolidated Company has the following circumstances:

- A. An entity has a present obligation (legal or constructive) as a result of past events;
- B. It is probable that an outflow of economic resources will be required to settle the obligation; and
- C. A reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Please refer to Note 4(24) for the employee benefits.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Consolidated Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the end of the reporting period) of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise. In addition, actuarial gains

and losses should be immediately recognised in retained earnings and should not be reclassified as profit or loss in the subsequent periods.

III. Past-service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Consolidated Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Consolidated Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation

Employees' compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Consolidated Company calculates the number of shares based on the fair value per share estimated using a valuation technique specified in IFRS 2, 'Share-based Payment'.

(25) Insurance products - separate account

- A. The Consolidated Company sells investment-linked insurance products in accordance with the Insurance Act and "Regulations Governing Investment-Linked Insurance". Premiums paid by policyholders, net of all expenses incurred, are distributed to a separate account in accordance with the agreed or designated investment distribution methods by the policyholders. This separate account is segregated from other assets of the Consolidated Company and managed independently by the Consolidated Company.
- B. In accordance with the "Regulations Governing the Preparation of Financial Reports by Insurance Institutions", the assets and liabilities of the separate account whether generated by the insurance contracts or investment contracts are classified as assets and liabilities on insurance products - separate account; revenues and expenses of the insurance contracts with IFRS 4 are classified as revenues and expenses on insurance product - separate account, respectively.
- C. The value of financial assets of the separate account is measured at fair value at balance sheet date.
- D. The sales commission and fee income including sale charge, policy and investment related charges received from the investment from the investment-linked life insurance products are recognised as handling fee revenue. Service income derived from relevant expenses from policy holders, which belong to investment contracts and are classified as non-discretionary participation feature products, are the consideration of services provided by the Consolidated Company during the specified period. If the service is not rendered during the period the premium is received, then the service income shall be recognised as "deferred handling fee income" and amortised using the straight-line method over the period the service is provided. Relevant additional costs, such as commission expenses and sales compensation, shall also be recognised as "deferred acquisition cost" and are amortised using the straight-line method to "other operating costs" based on the matching principle.

(26) Revenue recognition

- A. Service fee income is recognised during the service provided on the accrual basis.
- B. Interest income from debt instrument is recognised as incurred using effective interest rate method on the accrual basis. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset. After recognising the impairment loss on the financial assets measured at amortised cost using the effective interest rate method, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
- C. Dividend income is recognised when the right to receive dividends is assured.
- D. Recognition of income from operating lease is provided in the accounting policy for lease in Note 4(13).
- E. Recognition of revenue on insurance contracts and financial instruments with discretionary participation features is provided in the accounting policy for classification and measurement of insurance products in Note 4(18).

(27) Coinsurance organisation and coinsurance

- A. The Consolidated Company's property insurance business which have obtained the approval of competent authorities entered into a Compulsory Automobile Liability Coinsurance contract, regulating that covered compulsory automobile liability insurance shall be included as coinsurance; those who violate the agreement shall be investigated by agents sent by the coinsurance team.
- B. Coinsurance businesses are calculated based on the net premium and distributed proportionately based on the contract. Member companies that participate in the coinsurance shall not withdraw unless they are cleared or terminated. When automobile liability insurance business is terminated, the Consolidated Company withdraws from the coinsurance at the same time; natural expiring method is adopted for the unearned liabilities.
- C. In accordance with "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance," the Consolidated Company's property insurance business maintains separate accounts for compulsory automobile liability and adopts accounting treatments based on the related regulations.
- D. The Consolidated Company's property insurance business entered into Residential Earthquake Coinsurance Contracts with non-life insurance enterprises that underwrite residential fire insurance and reinsured total assumed risks of residential earthquake insurance with earthquake insurance funds in accordance with regulations. Members of the residential earthquake insurance pool should lodge and handle the unearned premium reserves, claim reserves and special reserves in accordance with "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance". The accounting treatment shall be based on "Accounting Treatment Principles for the non-life Insurers Conducting Residential Earthquake Insurance Business". Other than the abovementioned compulsory automobile liability insurance and residential fire insurance, the Consolidated Company set aside various reserves in accordance with "Rules for the Preparation of Financial Reports by Insurance Institutions" and recognise profits and losses for the share of the risks assumed by each coinsurance contract.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income

or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Consolidated Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At the end of each reporting period, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Consolidated Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(29) Dividends

Dividends are recorded in the Consolidated Company's financial statements in the period in which they are approved by the Consolidated Company's shareholders and the regulatory authority. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Earnings per share

The calculation of earnings per share is based on the weighted average number of ordinary shares outstanding during the period. The calculation of basic earnings per share shall be adjusted retrospectively on the effective date of distribution of stock dividends when the number of ordinary or potential ordinary shares outstanding increases as a result of retained earnings, capital surplus, or employees' bonus.

(31) Employee share-based payment

For the share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as salaries over the vesting period, with a corresponding adjustment to equity.

(32) Business combinations

- A. The Consolidated Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.
- B. The excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the consideration transferred is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(33) Information on operating segments

Information on operating segments of the Consolidated Company is reported in a manner consistent with the internal management report provided to the Chief Operating Decision-Maker (CODM). All transactions occur between segments are considered as regular transactions, and the derived profit or loss has been derecognised at the Consolidated Company's level. It also has been taken into account where the profit or loss is directly attributable to the segment individually.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Consolidated Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Insurance contract liabilities

The Consolidated Company evaluates long-term insurance contract liabilities in compliance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". The assumptions of mortality rate, morbidity rate, lapse rate, and discount rate are as follows: The mortality rate and discount rate are treated in accordance with relevant insurance regulations. The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations as approved by the competent authority. The morbidity rate and lapse rate are based on the Consolidated Company's past experience, industry experience, and experience obtained from reinsurers. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact on gains, losses, or equity. The liability adequacy test is conducted by discounting the future cash flows under the best estimate on valuation date by the Consolidated Company's overall return on investment. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

(2) Fair value measurement of investment property

The fair value of investment property is determined by using valuation techniques, including income approach, comparison approach and cost approach. Changes in assumptions of these models will affect the fair value of investment property reported, please refer to Note 6(9).

(3) Expected credit loss

Expected credit loss on debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loans, and receivables under amortised cost is measured using complex models and various assumptions. These models and assumptions are subject to future macroeconomic conditions and credit risk of counterparties (e.g. probability and loss of default of counterparties). According to accounting standards, measurement of expected credit loss involves several critical judgements, such as:

- A. Principles that used to identify whether there is a significant increase in credit risk.
- B. Determination of the appropriate models and assumptions that used to measure expected credit loss.
- C. Determination of necessary forecasting factors that used in the measurement of expected credit loss for different financial assets.

Information, judgements and estimations mentioned above relating to expected credit loss are provided in Note 12(3).

(4) Fair value measurement of financial instrument

Except for the financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.

For details on main method and assumption used to measure the fair value of financial instruments, please refer to Note 11(2)B(a).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash		
Cash on hand and petty cash	\$ 15,179	\$ 21,592
Checking and savings accounts	84,893,096	78,844,484
Cash equivalents		
Time deposits	13,015,075	98,500,654
Short-term bills	240,000	200,000
	<u>\$ 98,163,350</u>	<u>\$ 177,566,730</u>

- A. As of December 31, 2022 and 2021, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the cash and cash equivalents held by the Consolidated Company are \$98,163,350 and \$177,566,730, respectively.
- B. The Consolidated Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. In addition, of the short-term bills held by the Consolidated Company, investments in notes issued under reverse repurchase agreements have obtained bonds as collateral. Information on the net amount of receiving financial collateral after offsetting is provided in Note 6(8).
- C. Certain cash and cash equivalents are pledged as credit support collaterals for derivative instruments transactions, which are restricted and classified as guarantee deposits paid. For more information, please refer to Note 6(15).
- D. The Consolidated Company's property insurance business' time deposits which are pledged as collateral are classified as other assets - guarantee deposits paid, please refer to Note 6(15).

(2) Receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 1,333,807	\$ 829,922
Premiums receivable	194,790	182,503
Interest receivable	36,557,022	33,844,721
Investments receivable	14,862,171	22,615,242
Other receivables	3,676,342	3,797,824
Overdue receivable	91,435	83,635
Subtotal	56,715,567	61,353,847
Less : Allowance for bad debts	(330,761)	(119,851)
	<u>\$ 56,384,806</u>	<u>\$ 61,233,996</u>

- A. The Consolidated Company transacts with a variety of counterparties all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Consolidated Company is not holding any collateral except interest receivable from loans.
- B. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the receivables held by the Consolidated Company and the information relating to credit risk of those receivables are provided in Note 12(3).

C. The aging analysis of receivables is as follows:

	December 31, 2022	December 31, 2021
Not past due / Up to 3 months	\$ 56,624,132	\$ 61,270,212
3 to 6 months	46,186	11,079
6 to 12 months	7,165	11,765
Over 12 months	38,084	60,791
	<u>\$ 56,715,567</u>	<u>\$ 61,353,847</u>

(3) Financial assets at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit and loss		
Derivative instruments	\$ 27,662,422	\$ 9,950,668
Listed stocks	145,057,462	239,433,879
Preferred stocks	11,469,603	12,650,217
Beneficiary certificates	315,163,033	341,384,573
Financial debentures	27,801,809	27,301,773
Structured time deposits	16,110,468	19,513,367
Foreign stocks	111,236,892	203,622,623
Foreign beneficiary certificates	265,422,386	269,118,630
Foreign bonds	11,917,899	18,259,242
	<u>\$ 931,841,974</u>	<u>\$ 1,141,234,972</u>

The above-mentioned financial assets which are designated as applying overlay approach are as follows:

	December 31, 2022	December 31, 2021
Listed stocks	\$ 145,057,462	\$ 239,433,879
Beneficiary certificates	315,163,033	341,384,573
Financial debentures	27,801,809	27,301,773
Structured time deposits	16,110,468	19,513,367
Foreign stocks	111,236,892	203,622,623
Foreign beneficiary certificates	265,422,386	269,118,630
Foreign bonds	11,917,899	18,259,242
	<u>\$ 892,709,949</u>	<u>\$ 1,118,634,087</u>

A. The derivative instruments held by the Consolidated Company are as follows:

	December 31, 2022	
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 20,216,097	\$ 848,943,913
Non-delivery forwards (Note 2)	7,446,325	277,740,740
	<u>\$ 27,662,422</u>	<u>\$ 1,126,684,653</u>
Financial liabilities		
Cross currency swaps	\$ 6,307,646	\$ 245,345,929
Non-delivery forwards (Note 2)	9,777,479	423,261,060
	<u>\$ 16,085,125</u>	<u>\$ 668,606,989</u>

	December 31, 2021	
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 8,775,623	\$ 964,043,577
Non-delivery forwards (Note 2)	1,175,045	328,653,100
	<u>\$ 9,950,668</u>	<u>\$ 1,292,696,677</u>
Financial liabilities		
Cross currency swaps	\$ 168,784	\$ 130,141,087
Non-delivery forwards (Note 2)	1,081,343	183,577,700
	<u>\$ 1,250,127</u>	<u>\$ 313,718,787</u>

Note 1: Notional amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the reporting period.

Note 2: As of December 31, 2022 and 2021, the notional amount sold in New Taiwan dollars are \$30,032,000 and \$22,117,800, respectively.

- B. The derivative instruments held by the Consolidated Company were for the purpose of hedging the exchange rate risk on foreign investments and interest rate risk on domestic/foreign investments. The derivative instruments are not applied to hedge accounting.
- C. The Consolidated Company entered into derivative contracts with financial institutions with good credit quality, which comply with regulatory requirements and reviewed by the Consolidated Company on a regular basis. In addition, for all derivative transactions that the Consolidated Company engaged in, in order to avoid foreign exchange risk and interest rate risk, the Consolidated Company has entered into master netting arrangements with counterparties. Information on offsetting derivative instruments and credit enhancement is provided in Note 6(8).
- D. Details of reclassification between profit or loss and other comprehensive income when financial assets were designated using overlay approach are as follows:

	2022	2021
Gain (loss) reported under IFRS 9	(\$ 122,679,124)	\$ 120,303,758
Less: Gain (loss) that would have been reported if applied IAS 39	<u>70,942,638</u>	<u>92,809,348</u>
Gain (loss) on reclassification of financial assets at fair value through other comprehensive income using overlay approach	<u>(\$ 193,621,762)</u>	<u>\$ 27,494,410</u>
Effects of income tax benefit (expense) on other comprehensive income	<u>\$ 27,009,217</u>	<u>(\$ 5,438,862)</u>

- E. The Consolidated Company has no financial assets at fair value through profit or loss pledged to others.

F. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	2022		2021
(Loss) gain on valuation	(\$ 191,925,952)	\$	32,442,496
(Loss) gain on disposal	(161,585,959)		77,294,409
Interest revenue	1,278,371		1,682,931
Dividend income	32,497,563		27,526,662
	(\$ 319,735,977)	\$	138,946,498

(4) Financial assets at fair value through other comprehensive income

	December 31, 2022		December 31, 2021
Equity instruments			
Listed stocks	\$ 5,082,466	\$	6,233,285
Unlisted stocks	209,174		263,441
Subtotal	5,291,640		6,496,726
Debt instruments			
Government bonds	44,229,455		149,263,555
Corporate bonds	11,968,734		11,260,008
Financial debentures	10,134,135		13,652,384
Foreign bonds	178,843,456		1,333,399,819
Subtotal	245,175,780		1,507,575,766
Statutory deposits	(15,412,000)	(	15,412,000)
Total	\$ 235,055,420	\$	1,498,660,492

A. The Consolidated Company has classified equity instruments, that are not held for trading, as financial assets designated at fair value through other comprehensive income.

B. For the years ended December 31, 2022 and 2021, considering the fair value, market trend of investment objects, the Consolidated Company's investment strategy and risk management policies, the Consolidated Company sold the stocks classified as financial assets designated at fair value through other comprehensive income. The fair value of the sold stocks are \$512,590 and \$205,937, respectively, and the cumulative losses on disposal are \$38,832 and \$42,186, respectively. In 2022, the Consolidated Company received the price difference from disposal of 2021, and the difference was recognised as cumulative loss on disposal amounting to \$1 and reclassified cumulative loss on disposal from other equity interest to retained earnings.

- C. Amounts recognised in profit or loss and comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	(\$ 692,496)	\$ 738,850
Cumulative gain (loss) reclassified to retained earnings due to derecognition	(\$ 38,832)	(\$ 42,186)
Dividend income recognised in profit or loss		
Held by the end of the reporting period	\$ 338,523	\$ 265,480
Derecognised during the reporting period	23,109	4,514
	<u>\$ 361,632</u>	<u>\$ 269,994</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	(\$ 111,426,436)	(\$ 62,768,265)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment loss (reversal of impairment loss)	2,075,387	(173,142)
Reclassified due to derecognition	(800,588)	(34,292,406)
	<u>(\$ 110,151,637)</u>	<u>(\$ 97,233,813)</u>
Interest income recognised in profit or loss	<u>\$ 41,713,716</u>	<u>\$ 43,358,660</u>

- D. The Consolidated Company changed the business model for managing financial assets, and the details of the effects on the reclassification of financial assets from the change of business model are provided in Note 14(8).
- E. Details of the Consolidated Company's financial assets at fair value through other comprehensive income as statutory deposits are provided in Note 6(15).
- F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(3).

(5) Financial assets at amortised cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Government bonds	\$ 122,455,791	\$ 84,206,621
Corporate bonds	22,236,831	23,746,104
Financial debentures	25,649,938	33,251,163
Structured time deposits	25,000,000	-
Foreign bonds	<u>3,137,396,666</u>	<u>1,657,308,897</u>
	3,332,739,226	1,798,512,785
Loss allowance	(7,081,327)	(3,039,382)
Statutory deposits	<u>(14,477,136)</u>	<u>(6,771,400)</u>
	<u>\$ 3,311,180,763</u>	<u>\$ 1,788,702,003</u>

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 79,578,906	\$ 69,770,490
(Impairment loss) and reversal profit	(4,437,066)	675,928
Gain on disposal	<u>1,624,785</u>	<u>4,682,493</u>
	<u>\$ 76,766,625</u>	<u>\$ 75,128,911</u>

Gain or loss on disposal of the financial assets at amortised cost are arising from early redemption by issuers, and infrequent sale or insignificant in value both individually and in aggregate.

- B. The information of the Consolidated Company's reclassification of financial assets is provided in 14(8).
- C. Details of the Consolidated Company's financial assets at amortised cost pledged to others as collateral are provided in Note 6(15).
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(3).

(6) Structured entities

A. In accordance with IFRS 12, 'Disclosure of Interests in Other Entities', the information about structured entities that are not controlled by the Consolidated Company is listed below:

Type of structured entity	December 31, 2022 Book Value	December 31, 2021 Book Value	Nature and Purpose
Private funds	\$ 154,308,264	\$ 139,977,058	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
Securitised financial asset products	69,099,891	90,446,559	Transfer of structured entity's asset related risks to investors through the issuance of bonds, in order to provide an investing opportunity for investors.
Real estate securitisation products	11,733,076	19,614,929	Through issuing beneficiary securities, commissioned institutions provide investors with opportunities to participate in gaining profits from real estate market trading, rent and appreciation.
Infrastructure funds	54,144,791	43,139,847	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
	<u>\$ 289,286,022</u>	<u>\$ 293,178,393</u>	

B. The equities of structured entities that are not included in the Consolidated Company's consolidated financial statements are recognised under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The potential losses of such entities, derived from the maximum exposure amount, are the book values of the held assets. In addition, for market risk exposures resulting from contract clauses that limit investment positions and issuance terms, the Consolidated Company has considered related market risk management approaches. Please refer to Note 12 for details.

(7) Transfer of financial asset

A. The Consolidated Company's central government development bonds sold under repurchase agreements are transferred financial assets that are not derecognised in their entirety. The Consolidated Company cannot sell or pledge such securities within the transfer period; however, related risks and returns are still retained, and thus, they are not derecognised in their entirety.

B. The Consolidated Company's carrying amount of transferred financial assets that are not derecognised in their entirety and related financial liabilities are as follows:

Description	December 31, 2022		December 31, 2021	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at amortised cost				
Bonds sold under repurchase agreements	\$ 16,353,427	\$ 12,992,000	\$ -	\$ -
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(8) Offsetting financial assets and financial liabilities

- A. The Consolidated Company has engaged in financial instruments transactions that were not in conformity with IAS 32 paragraph 42's offsetting requirements. However, the Consolidated Company has entered into enforceable master netting arrangements or similar agreements with counterparties, such as derivatives, structured time deposits, reverse repurchase agreements and repurchase agreements. Upon the event of a breach in agreement (default, insolvency, or bankruptcy) by a party, the counterparty may set-off the netting arrangement or pursue legal action against the collateral in accordance with their agreements. The amount received (paid) for the collateral is the fair value of the collateral. However, the offsetting amount is limited to the total amount of recognised financial assets (liabilities).
- B. The following table provides related information on enforceable master netting arrangements or similar agreements that are financial assets and liabilities:

December 31, 2022						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 68,765,541	\$ -	\$ 68,765,541	\$ 11,186,834	\$ 1,470,545	\$ 56,108,162
Reverse repurchase agreements	240,000	-	240,000	234,672	-	5,328
	<u>\$ 69,005,541</u>	<u>\$ -</u>	<u>\$ 69,005,541</u>	<u>\$ 11,421,506</u>	<u>\$ 1,470,545</u>	<u>\$ 56,113,490</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 16,085,125	\$ -	\$ 16,085,125	\$ 17,044,870	\$ 1,979,438	\$ -
Repurchase agreements	12,992,000	-	12,992,000	16,353,427	-	-
	<u>\$ 29,077,125</u>	<u>\$ -</u>	<u>\$ 29,077,125</u>	<u>\$ 33,398,297</u>	<u>\$ 1,979,438</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed net amount is zero since the amount of pledged collateral exceeds recognised financial liabilities.

December 31, 2021

Financial Assets

Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (f)=(c)-(d)-(e)
				Financial instruments (Note) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 29,464,035	\$ -	\$ 29,464,035	\$ 905,385	\$ 4,672,688	\$ 23,885,962
Reverse repurchase agreements	200,000	-	200,000	199,899	-	101
	<u>\$ 29,664,035</u>	<u>\$ -</u>	<u>\$ 29,664,035</u>	<u>\$ 1,105,284</u>	<u>\$ 4,672,688</u>	<u>\$ 23,886,063</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (f)=(c)-(d)-(e)
				Financial instruments (Note) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 1,250,127	\$ -	\$ 1,250,127	\$ 905,385	\$ 276,900	\$ 67,842

Note: Including enforceable master netting arrangements and non-cash financial collateral.

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(9) Investment property

	December 31, 2022	December 31, 2021
Measured subsequently using the fair value model	\$ 192,827,191	\$ 193,667,580
Measured subsequently using the cost model	5,788,186	5,632,775
	<u>\$ 198,615,377</u>	<u>\$ 199,300,355</u>

A. Measured subsequently using the fair value model

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2022	\$ 65,741,635	\$ 51,142,761	\$ 76,783,184	\$ -	\$ 193,667,580
Additions-from acquisitions	10,062	523,532	-	1,603,963	2,137,557
Additions-from subsequent expenditures	-	44,571	-	-	44,571
Transferred from construction in progress	-	1,521,066	-	-	1,521,066
Disposals	(20,223)	-	-	-	(20,223)
Transferred from prepayments for buildings and lands	1,249,516	354,447	-	(1,603,963)	-
Transferred to property and equipment	(840,498)	(1,194,387)	-	-	(2,034,885)
Net gain (loss) from fair value	(467,454)	(1,087,951)	442,533	-	(1,112,872)
Adjustment of lease liabilities remeasurement	-	-	(1,373,365)	-	(1,373,365)
Others	-	(2,238)	-	-	(2,238)
At December 31, 2022	<u>\$ 65,673,038</u>	<u>\$ 51,301,801</u>	<u>\$ 75,852,352</u>	<u>\$ -</u>	<u>\$ 192,827,191</u>

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2021	\$ 63,371,241	\$ 52,691,289	\$ 76,074,648	\$ -	\$ 192,137,178
Additions-from acquisitions (Note)	17,308	10,732	20,898	2,860,192	2,909,130
Additions-from subsequent expenditures	-	33,631	-	-	33,631
Disposals	(88,774)	(175,037)	-	-	(263,811)
Transferred from prepayments for buildings and lands	1,809,736	1,050,456	-	(2,860,192)	-
Net gain (loss) from fair value Adjustment of lease liabilities	632,124	(2,094,142)	672,717	-	(789,301)
remeasurement	-	-	14,921	-	14,921
Others	-	(374,168)	-	-	(374,168)
At December 31, 2021	<u>\$ 65,741,635</u>	<u>\$ 51,142,761</u>	<u>\$ 76,783,184</u>	<u>\$ -</u>	<u>\$ 193,667,580</u>

Note: The additions to right-of-use assets include the present value of all lease payments during the lease period amounting to \$15,287.

The fair value of investment property held by the Consolidated Company is based on valuations performed by independent valuers, following “Regulation on Real Estate Appraisal”. In accordance with “Regulations Governing the Preparation of Financial reports by Insurance Companies”, two or more joint appraisers firms should be appointed for a single item whose valuation amount is more than TWD 1 billion. If the investment properties were acquired before May 11, 2020, valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted based on the nature, location or condition of the individual asset. If the investment properties were acquired after May 11, 2020, valuations are performed using valuation techniques such as income approach and cost approach according to Regulations Governing the Preparation of Financial Reports by Insurance Enterprise. Information on valuation reports primarily used by the Consolidated Company is as follows:

(a) Appointed joint appraisers firms, appraiser’s name and valuation date are as follows:

Appraiser firm	Appraiser	Valuation date
REPro International Real Estate Appraisers Firm	Wu, Hung-Hsu	December 31, 2021 and 2022
	Tsai, Yu-Hsiang	December 31, 2021 and 2022
	Hsu, Hsiang-Yi	December 31, 2021 and 2022
Sin Yi Real Estate Appraisers Firm	Wang, Shih-Ming	December 31, 2021 and 2022
	Tsai, Wen-Che	December 31, 2022
	Chih, Wei-Hsin	December 31, 2021 and 2022
	Chi, Liang-An	December 31, 2021 and 2022
China Real Estate Appraising Firm	Hsieh, Tien-Ching	December 31, 2021
CCIS Real Estate Joint Appraisers Firm	Wu, Chih-Hao	December 31, 2021 and 2022
	Li, Wei-Ju	December 31, 2022
Savills Real Estate Appraiser Firm	Tai, Kuang-Ping	December 31, 2021 and 2022
	Yeh, Yu-Fen	December 31, 2021 and 2022
	Chang, Hung-Kai	December 31, 2021 and 2022
	Chang, Yi-Chih	December 31, 2021 and 2022
	Ye, Shi-Yu	December 31, 2022
Colliers International Real Estate Appraisers Firm	Ke, Feng-Ru	December 31, 2021 and 2022
	Ku, Chien-Hui	December 31, 2021 and 2022
	Chan, Hsiu-Yin	December 31, 2021
Elite Appraisers Firm	Chen, Yu-Lin	December 31, 2021 and 2022
	Lo, Yi-Hui	December 31, 2021 and 2022
Zhan-Mao Real Estate Appraisers Firm	Yang, Shang-Hung	December 31, 2021 and 2022
Euro-Asia Real Estate Appraisers Firm	Hsieh, Tsung-Ting	December 31, 2021 and 2022

(b) Details of appropriateness and reasonability of valuation methods, key assumptions and inputs:

I. Investment properties acquired before May 11, 2020

For the Consolidated Company's properties used as storefront located in a commercial district and offices, due to convenient transportation, active trading and market competitiveness, comparative price and income price are generally informative for value of these properties. Comparison approach is used to analyse based on the transaction price of similar property with substitutability. Income approach is estimated based on rental income and reasonable capitalisation rates.

For commercial property and right-of-use assets like hypermarket and superficies products, they are primarily leased to others to collect long-term steady rental income. Due to its profitability, in general, its value is mainly based on income price and supplementary based on comparative price or cost.

For the superficies, the main evaluation approaches are the income approach, cost approach, land development analysis and comparison approach. After development of the superficies is completed, the evaluation approach of the building completed from the superficies is changed using the abovementioned evaluation approaches based on its nature.

II. Investment properties acquired after May 11, 2020

Investment property which has been engaged a lease contract with the lease term over one year is evaluated by income approach. Cash flows, analysis period and discount rate included in valuation techniques shall meet the regulations specified in "Regulations Governing the Preparation of Financial reports by Insurance Companies". However, investment property which has not been engaged a lease contract with the lease term over one year or has been terminated or cancelled over one year is evaluated using cost approach. If investment property cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", it can be measured at replacement cost to assess its fair value. In addition, according to the comments on investment property subsequently measured at fair value released based on "Regulations Governing the Preparation of Financial reports by Insurance Companies", land development analysis approach is not applicable for cost approach, and the fair value shall be recognised based on the regular price referring to the valuation reports issued under "Regulations on Real Estate Appraisal" if regular price is lower than the value assessed based on income approach or cost approach.

Because the right-of-use assets are acquired after May 11, 2020 and cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", they are measured at replacement cost. In addition, for those whose regular price is lower than cost, the fair value is measured at regular price.

III. The key inputs used are listed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Income approach		
Capitalisation rate	0.22%~6.33%	0.26%~3.70%
Discount rate	2.08%~4.75%	2.85%~4.35%
Cost approach		
Comprehensive interest of capital rate	0.44%~10.48%	0.54%~9.26%

The higher the abovementioned rate, the lower the fair value. On the contrary, the lower the abovementioned rate, the higher the fair value.

(c) Information on lease liabilities for right-of-use assets classified as investment properties is provided in Note 6(12).

B. Measured subsequently using the cost model

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2022</u>				
Cost	\$ 2,014,422	\$ 1,415,118	\$ 2,585,593	\$ 6,015,133
Accumulated depreciation	-	(382,358)	-	(382,358)
	<u>\$ 2,014,422</u>	<u>\$ 1,032,760</u>	<u>\$ 2,585,593</u>	<u>\$ 5,632,775</u>
<u>2022</u>				
Beginning balance	\$ 2,014,422	\$ 1,032,760	\$ 2,585,593	\$ 5,632,775
Additions-from acquisitions (Note)	-	1,426	1,522,338	1,523,764
Additions-from subsequent expenditures	-	12,082	-	12,082
Transferred from property and equipment	142,130	63,625	-	205,755
Construction in progress completed and transferred out	-	-	(1,521,066)	(1,521,066)
Amortisation of direct lease costs	-	(28,853)	-	(28,853)
Depreciation charge	-	(35,814)	-	(35,814)
Others	-	(457)	-	(457)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>At December 31, 2022</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$461 and \$234,399, respectively.

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2021</u>				
Cost	\$ 2,014,422	\$ 1,401,124	\$ 1,133,653	\$ 4,549,199
Accumulated depreciation	-	(348,174)	-	(348,174)
	<u>\$ 2,014,422</u>	<u>\$ 1,052,950</u>	<u>\$ 1,133,653</u>	<u>\$ 4,201,025</u>
<u>2021</u>				
Beginning balance	\$ 2,014,422	\$ 1,052,950	\$ 1,133,653	\$ 4,201,025
Additions-from acquisitions (Note)	-	32,794	1,451,940	1,484,734
Additions-from subsequent expenditures	-	4,937	-	4,937
Amortisation of direct lease costs	-	(23,737)	-	(23,737)
Depreciation charge	-	(34,184)	-	(34,184)
Ending balance	<u>\$ 2,014,422</u>	<u>\$ 1,032,760</u>	<u>\$ 2,585,593</u>	<u>\$ 5,632,775</u>
<u>At December 31, 2021</u>				
Cost	\$ 2,014,422	\$ 1,415,118	\$ 2,585,593	\$ 6,015,133
Accumulated depreciation	-	(382,358)	-	(382,358)
	<u>\$ 2,014,422</u>	<u>\$ 1,032,760</u>	<u>\$ 2,585,593</u>	<u>\$ 5,632,775</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$479 and \$291,849, respectively.

Because the Consolidated Company cannot reliably determine the fair value of its construction in progress on an on-going basis, constructions in progress is measured at cost. Once the fair value can be reliably determined or when construction is complete, the property is measured at fair value.

- C. For information on the fair value of investment property, please refer to Note 11(2).
- D. Rental income from investment property and direct operating expenses arising from investment property are shown below (excluding depreciation):

	2022	2021
Rental income from investment property	\$ 4,311,490	\$ 4,115,007
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 979,842	\$ 908,799
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 123,039	\$ 122,786

- E. Consolidated Company recognised rental income of the variable lease payments based on operating lease contracts, which are listed as follows:

2022	2021
\$ 30,429	\$ 30,784

For the information on the analysis of due date of the lease receivables under the operating leases of the Consolidated Company as of December 31, 2022 and 2021, please refer to Note 6(13).

- F. The information on investment property, including construction in progress, acquired by the Consolidated Company in 2022 and 2021 is as follows:
- (a) On April 13, 2017, the Consolidated Company signed the construction agreement, “New Land Construction on No. 297, 288, 289, 298, 299, 299-1, 300, 302 and 303 in Xiaobei sections of North District, Tainan City”, and the total contract price is \$2,467,000. Subsequently, on August 31, 2021 and October 12, 2022, the Consolidated Company signed an incremental agreement, and the total modified contract prices were \$2,610,000 and \$2,890,000, respectively. As of December 31, 2022 and 2021, the Consolidated Company has paid \$2,103,543 and \$841,248 for the construction, respectively.
 - (b) On February 15, 2019, the Consolidated Company signed a contract for the “Construction in Progress of Nan Shan Taichung 6 Plaza” with Fut Su Construction Company Limited, and the total contract price was \$1,198,539. In addition, due to the completion of the detailed design on April 8, 2021, and the total modified contract price was \$1,266,024. As of December 31, 2022 and 2021, the Consolidated Company has paid \$1,101,704 and \$860,233 for the construction, respectively.
 - (c) On July 7, 2020, the Consolidated Company signed a contract for the “Construction in Progress of Nan Shan Taichung 7 Plaza” with Feng Hsing Construction Engineering Co., Ltd., total contract price was \$566,011. Subsequently, on November 1, 2022, the Consolidated Company signed an incremental agreement, and the total modified contract price was \$590,911. As of December 31, 2022 and 2021, the Consolidated Company has paid \$515,630 and \$264,391 for the construction.
 - (d) On December 30, 2020, the Consolidated Company signed a trading contract for the “Acquisition of plant and office building in industrial park-B located in Xinshi District, Tainan City” with International Co., Ltd., Sheng Jinn Co., Ltd. and Chiu Mei Craft Co., Ltd., and the

total contract price was \$2,100,000 (including business tax) determined by referring to the valuation reports issued by the real estate appraisers and by bids. As of December 31, 2022, the Consolidated Company had paid the full contract price.

(e) On November 29, 2021, the Consolidated Company signed a trading contract for the “Acquisition of Shuttle Inc.’s headquarters building in Neihu District of Taipei City” with Shuttle Inc., and the total contract amount was \$801,000 (including business tax) determined by referring to the valuation reports issued by the real estate appraisers and by bids. As of December 31, 2022, the Consolidated Company had paid the full contract price.

(f) On September 30, 2022, the Consolidated Company signed a trading contract for the “Acquisition of plant on Gongyequ 7th Rd., Taichung City” with an individual, and the total contract price was \$1,600,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids. As of December 31, 2022, the Consolidated Company had paid the full price.

G. The right-of-use assets of the Consolidated Company were as follows:

(a) The Consolidated Company’s life insurance business signed the “Construction and Operation Agreement of Development Project of Shulin Shuxin Section Public-owned Land” with Economic Development Department, New Taipei City Government on August 13, 2014. The total contract price was based on the valuation reports issued by the real estate appraisers. The Consolidated Company won the bids for the project with \$381,111.

(b) The Consolidated Company’s life insurance business signed the “City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City Contracts” with Taipei City Government on October 12, 2012. The contract price is \$28,232,400 determined by referring to the valuation reports issued by the real estate appraisers and by bids.

(c) The Consolidated Company’s life insurance business signed the “State-owned Land for Nonpublic Use Superficies Contract” with National Property Administration, Central Taiwan Office on December 25, 2012, and acquired the Land Lot No. 1021, 1039 and 1041 Lianwu Section, East District, Taichung City. The total contract price was referred to the valuation reports issued by the real estate appraisers and was acquired by bids with \$577,243.

(d) The Consolidated Company’s life insurance business signed the “City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts” with the National Property Administration, Ministry of Finance on March 30, 2020. The contract price was \$31,276,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids.

H. Please refer to Note 8 for the information of aforesaid significant unrecognised contract commitments signed by the Consolidated Company.

(10) Loans

	December 31, 2022	December 31, 2021
Life insurance policy loans	\$ 81,792,247	\$ 81,249,262
Automatic policy loans	17,290,208	17,395,217
Secured loans	15,067,331	19,040,297
Overdue loans	-	22,312
Less: Allowance for bad debts	(226,337)	(286,238)
	<u>\$ 113,923,449</u>	<u>\$ 117,420,850</u>

- A. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the loans held by the Consolidated Company and the information relating to credit risk of those loans are provided in Note 12(3).
- B. Life insurance policy loans and automatic policy loans are granted to the policyholders with their life and annuity insurance policies as collateral. Life insurance policy loans and automatic policy loans are approved according to certain limit of surrender charges or policy value reserve. If the amount of policy loans or automatic policy loans plus accrued interest exceeds policy value reserve, the policy will be suspended automatically. Hence, both life insurance policy loans and automatic policy loans have adequate policy value reserve as collateral. However, for the life insurance policy loans with collateral of the account value of investment-linked policy, allowance for bad debts should be made when their account value are not adequate to settle life insurance policy loans because of the dramatic decline in the fair value of investments.
- C. Secured loans are loans collateralised by real estate. In accordance with relevant laws and regulations of secured loans, "mortgage loans guidelines" and related internal operations articles, it can be loaned in the specific amount. All of the secured loans are made with collateral.

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(11) Property and equipment

	Land	Buildings and constructions	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2022</u>							
Cost	\$ 9,092,784	\$ 6,657,067	\$ 1,857,299	\$ 4,732	\$ 474,230	\$ 30,037	\$ 18,116,149
Accumulated depreciation	-	(2,912,879)	(753,979)	(3,897)	(243,813)	(27,075)	(3,941,643)
Carrying amount	<u>\$ 9,092,784</u>	<u>\$ 3,744,188</u>	<u>\$ 1,103,320</u>	<u>\$ 835</u>	<u>\$ 230,417</u>	<u>\$ 2,962</u>	<u>\$ 14,174,506</u>
<u>2022</u>							
Beginning balance	\$ 9,092,784	\$ 3,744,188	\$ 1,103,320	\$ 835	\$ 230,417	\$ 2,962	\$ 14,174,506
Additions-from acquisitions (Note 1)	550,401	470,849	168,626	-	122,146	5,406	1,317,428
Transferred from investment property	840,498	1,194,387	-	-	-	-	2,034,885
Disposals-cost	-	(20,261)	(36,075)	-	(45,207)	(1,353)	(102,896)
Disposals-accumulated depreciation	-	18,729	36,010	-	45,151	1,173	101,063
Transfer to investment property -cost	(142,130)	(87,293)	-	-	(449)	-	(229,872)
Transfer to investment property -accumulated depreciation	-	23,976	-	-	141	-	24,117
Depreciation charge (Note 2)	-	(160,589)	(250,174)	(322)	(96,789)	(2,141)	(510,015)
Ending balance	<u>\$ 10,341,553</u>	<u>\$ 5,183,986</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>At December 31, 2022</u>							
Cost	\$ 10,341,553	\$ 8,214,749	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 5,183,986</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$4,689 and \$4,518, respectively.

Note 2: Including capitalised intangible assets amounting to \$2,848.

	Land	Buildings and constructions	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2021</u>							
Cost	\$ 9,092,784	\$ 6,666,549	\$ 1,783,872	\$ 3,862	\$ 475,632	\$ 28,236	\$ 18,050,935
Accumulated depreciation	-	(2,917,986)	(583,859)	(3,788)	(247,750)	(25,752)	(3,779,135)
Carrying amount	<u>\$ 9,092,784</u>	<u>\$ 3,748,563</u>	<u>\$ 1,200,013</u>	<u>\$ 74</u>	<u>\$ 227,882</u>	<u>\$ 2,484</u>	<u>\$ 14,271,800</u>
<u>2021</u>							
Beginning balance	\$ 9,092,784	\$ 3,748,563	\$ 1,200,013	\$ 74	\$ 227,882	\$ 2,484	\$ 14,271,800
Additions-from acquisitions(Note 1)	-	139,162	149,777	870	94,601	2,053	386,463
Disposals-cost	-	(148,644)	(76,350)	-	(96,003)	(252)	(321,249)
Disposals-accumulated depreciation	-	148,631	76,350	-	96,003	252	321,236
Depreciation charge (Note 2)	-	(143,524)	(246,470)	(109)	(92,066)	(1, 575)	(483,744)
Ending balance	<u>\$ 9,092,784</u>	<u>\$ 3,744,188</u>	<u>\$ 1,103,320</u>	<u>\$ 835</u>	<u>\$ 230,417</u>	<u>\$ 2,962</u>	<u>\$ 14,174,506</u>
<u>At December 31, 2021</u>							
Cost	\$ 9,092,784	\$ 6,657,067	\$ 1,857,299	\$ 4,732	\$ 474,230	\$ 30,037	\$ 18,116,149
Accumulated depreciation	-	(2,912,879)	(753,979)	(3,897)	(243,813)	(27,075)	(3,941,643)
Carrying amount	<u>\$ 9,092,784</u>	<u>\$ 3,744,188</u>	<u>\$ 1,103,320</u>	<u>\$ 835</u>	<u>\$ 230,417</u>	<u>\$ 2,962</u>	<u>\$ 14,174,506</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$3,929 and \$4,088, respectively.

Note 2: Including capitalised intangible assets amounting to \$3,396.

(12) Leasing arrangements — lessee

- A. The Consolidated Company leases various assets including buildings, offices, superfices and other equipment. Rental contracts for buildings, offices and other equipment are typically made for periods of 1 to 20 years. Additionally, the leased land with registered superfices has a rental period of 50 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Low-value assets comprise of office equipment.
- C. The right-of-use assets of superfices were reported in investment property and right-of-use assets. The carrying amount of investment property is provided in Note 6(9).
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Buildings	Superfices	Other equipment	Total
<u>At January 1, 2022</u>				
Cost	\$ 1,285,700	\$ 231,863	\$ 67,673	\$ 1,585,236
Accumulated depreciation	(664,459)	(5,735)	(23,104)	(693,298)
Carrying amount	<u>\$ 621,241</u>	<u>\$ 226,128</u>	<u>\$ 44,569</u>	<u>\$ 891,938</u>
<u>2022</u>				
Beginning balance	\$ 621,241	\$ 226,128	\$ 44,569	\$ 891,938
Additions	496,239	-	660	496,899
Disposals-cost	(432,079)	-	(1,032)	(433,111)
Disposals-accumulated depreciation	432,079	-	1,032	433,111
Lease modifications	(88,105)	-	-	(88,105)
Depreciation charge (Note)	(368,874)	(5,150)	(18,967)	(392,991)
Adjustment of lease liabilities remeasurement	-	445	-	445
Ending balance	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2021</u>				
Cost	\$ 1,219,483	\$ 5,972	\$ 21,492	\$ 1,246,947
Accumulated depreciation	(536,327)	(1,327)	(6,351)	(544,005)
Carrying amount	<u>\$ 683,156</u>	<u>\$ 4,645</u>	<u>\$ 15,141</u>	<u>\$ 702,942</u>
<u>2021</u>				
Beginning balance	\$ 683,156	\$ 4,645	\$ 15,141	\$ 702,942
Additions	317,296	225,891	48,964	592,151
Disposals-cost	(247,977)	-	(2,783)	(250,760)
Disposals-accumulated depreciation	247,977	-	2,783	250,760
Lease modifications	(3,102)	-	-	(3,102)
Depreciation charge (Note)	(376,109)	(4,408)	(19,536)	(400,053)
Ending balance	<u>\$ 621,241</u>	<u>\$ 226,128</u>	<u>\$ 44,569</u>	<u>\$ 891,938</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,285,700	\$ 231,863	\$ 67,673	\$ 1,585,236
Accumulated depreciation	(664,459)	(5,735)	(23,104)	(693,298)
Carrying amount	<u>\$ 621,241</u>	<u>\$ 226,128</u>	<u>\$ 44,569</u>	<u>\$ 891,938</u>

Note : For the years ended December 31, 2022 and 2021, the depreciation charge include capitalised investment property and property and equipment amounting to \$5,150 and \$4,408, respectively.

E. The Consolidated Company signed the “Investment contract of Sharon Park and parking lot in Tamsui District, New Taipei City” with Economic Development Department, New Taipei City Government on January 15, 2021. The total contract price was \$62,000 determined by referring to the valuation reports issued by the real estate appraisers and by bid. The Consolidated Company referred to the purpose of holding to classified as right-of-use assets and investment properties, respectively. As of December 31, 2022 and 2021, the carrying amount of right-of-use assets and investment properties was \$218,365 and \$18,093, respectively.

F. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	2022	2021
Interest expense on lease liabilities	\$ 349,598	\$ 342,308
Expense on leases of low-value assets	1,200	1,200
(Gain) loss on lease modifications	(115)	191

G. The Consolidated Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.4766% to 3.2270% and from 0.3959% to 3.2270% for the years ended December 31, 2022 and 2021, respectively.

H. For the years ended December 31, 2022 and 2021, the Consolidated Company's total cash outflows for leases are \$879,644 and \$838,115 respectively.

I. Most of the property lease contracts of the Consolidated Company include the option of terminating the lease in advance, and a few other lease contracts include the option of extending the lease. As the exercise of this option is uncertain, the condition will not be reflected when measuring lease liabilities.

J. The movements of lease liabilities are as follows:

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2022	\$ 20,092,752	\$ 151,637	\$ 634,874	\$ 20,879,263
Additions (Note 1)	-	-	497,106	497,106
Adjustment of lease liabilities remeasurement	(1,373,365)	445	-	(1,372,920)
Lease modifications and others (Note 2)	-	-	(88,186)	(88,186)
Interest expense recognised	578,922	4,550	5,043	588,515
Lease payments	(556,232)	(2,419)	(389,462)	(948,113)
Rent concessions	(55,329)	(130)	(1,971)	(57,430)
At December 31, 2022	<u>\$ 18,686,748</u>	<u>\$ 154,083</u>	<u>\$ 657,404</u>	<u>\$ 19,498,235</u>
	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2021	\$ 20,031,729	\$ 4,760	\$ 663,928	\$ 20,700,417
Additions (Note 1)	15,287	145,062	366,362	526,711
Adjustment of lease liabilities remeasurement	14,921	-	-	14,921
Lease modifications and others (Note 2)	-	-	(2,940)	(2,940)
Interest expense recognised	629,211	4,127	4,907	638,245
Lease payments	(543,711)	(2,143)	(394,477)	(940,331)
Rent concessions	(54,685)	(169)	(2,906)	(57,760)
At December 31, 2021	<u>\$ 20,092,752</u>	<u>\$ 151,637</u>	<u>\$ 634,874</u>	<u>\$ 20,879,263</u>

Note 1: For the years ended December 31, 2022 and 2021, the deductible for employees' dormitory amounted to \$207 and \$102, respectively.

Note 2: For the years ended December 31, 2022 and 2021, including exchange gain of 34 and \$29, respectively.

K. The Consolidated Company's lease contracts of multifunction printers contain variable lease payment terms that are linked to the actual use in multifunction printers. For the years ended December 31, 2022 and 2021, the variable lease payments are \$16,602 and \$16,445, respectively.

L. The Consolidated Company has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$125,277 and \$161,176 in gain or loss on investment property and non-operating income and expenses for the years 2022 and 2021, respectively. Among them, the rent concessions belonging to superficies respectively amounting to \$70,022 and \$105,364 recognised in gain or loss on investment property has been implemented to lessees.

(13) Leasing arrangements – lessor

A. The Consolidated Company leases investment property. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Information on gain arising from operating lease agreements for the years ended December 31, 2022 and 2021 is provided in Note 6(9).

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2022	December 31, 2021
2022	\$ -	4,219,161
2023	4,206,418	3,846,038
2024	3,247,131	2,880,685
2025	2,663,779	2,359,073
2026	2,336,305	2,087,229
2027	2,088,248	1,896,614
2028	1,830,069	1,704,106
After 2029	13,954,911	13,328,410
Total	\$ 30,326,861	\$ 32,321,316

(14) Intangible assets

Details of intangible assets are as follows:

	Computer software	Goodwill	Licences	Total
<u>At January 1, 2022</u>				
Cost	\$ 11,733,721	\$ 1,075,875	\$ 4,956,012	\$ 17,765,608
Accumulated amortisation	(2,147,340)	-	(475,770)	(2,623,110)
Carrying amount	<u>\$ 9,586,381</u>	<u>\$ 1,075,875</u>	<u>\$ 4,480,242</u>	<u>\$ 15,142,498</u>
<u>2022</u>				
Beginning balance	\$ 9,586,381	\$ 1,075,875	\$ 4,480,242	\$ 15,142,498
Additions-acquired separately (Note 1)	545,470	-	-	545,470
Disposals-cost	(39,345)	-	-	(39,345)
Disposals-accumulated amortisation	39,345	-	-	39,345
Amortisation charge (Note 2)	(744,862)	-	(421,442)	(1,166,304)
Ending balance	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>At December 31, 2022</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
	Computer software	Goodwill	Licences	Total
<u>At January 1, 2021</u>				
Cost	\$ 11,395,262	\$ 1,075,875	\$ 4,956,012	\$ 17,427,149
Accumulated amortisation	(1,568,942)	-	(192,603)	(1,761,545)
Carrying amount	<u>\$ 9,826,320</u>	<u>\$ 1,075,875</u>	<u>\$ 4,763,409</u>	<u>\$ 15,665,604</u>
<u>2021</u>				
Beginning balance	\$ 9,826,320	\$ 1,075,875	\$ 4,763,409	\$ 15,665,604
Additions-acquired separately (Note 1)	442,263	-	-	442,263
Disposals-cost	(103,804)	-	-	(103,804)
Disposals-accumulated amortisation	103,804	-	-	103,804
Amortisation charge (Note 2)	(682,202)	-	(283,167)	(965,369)
Ending balance	<u>\$ 9,586,381</u>	<u>\$ 1,075,875</u>	<u>\$ 4,480,242</u>	<u>\$ 15,142,498</u>
<u>At December 31, 2021</u>				
Cost	\$ 11,733,721	\$ 1,075,875	\$ 4,956,012	\$ 17,765,608
Accumulated amortisation	(2,147,340)	-	(475,770)	(2,623,110)
Carrying amount	<u>\$ 9,586,381</u>	<u>\$ 1,075,875</u>	<u>\$ 4,480,242</u>	<u>\$ 15,142,498</u>

Note 1: Including the capitalisation amounts from depreciation charge of property and equipment and amortisation charge of intangible assets totaling \$2,976 and \$3,429 for the years 2022 and 2021, respectively.

Note 2: Including capitalised amount totaling \$128 and \$33 for the years 2022 and 2021, respectively.

(15) Other assets

	December 31, 2022	December 31, 2021
Prepayments and temporary debits	\$ 3,517,187	\$ 3,229,959
Guarantee deposits paid	33,323,211	23,921,797
Others	58,345	58,764
	<u>\$ 36,898,743</u>	<u>\$ 27,210,520</u>

- A. As at December 31, 2022 and 2021, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the other assets held by the Consolidated Company are \$33,340,934 and \$23,933,732, respectively.
- B. The Consolidated Company tendered the “City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts” with Taipei City Government on November 20, 2019. The contract price was \$15,981,000 which was determined by referring to the valuation reports issued by the real estate appraisers and by bid. The Consolidated Company had paid the first-installment royalty in the amount of \$2,716,770, which was recognised in prepayments and temporary debits. The second-installment royalty will be paid after completing the registration of superficies. The Consolidated Company has completed the registration of superficies on January 16, 2023.
- C. The Consolidated Company’s guarantee deposits paid are detailed as follows:
- To acquire the case “City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City” held by Taipei City Government, the Consolidated Company’s life insurance business set \$800,000 certificate of deposit as (contract) security deposit on September 20, 2012. Because the Consolidated Company met the condition of the contract, a security deposit of \$400,000 was returned in January 2019. As of December 31, 2022 and 2021, the amount of security deposit was \$400,000.
 - In response to the commitment to the Council of Labor Affairs, Executive Yuan made by Ruen Chen Investment Holding Co., Ltd. in respect of stock equity trading, the Consolidated Company’s life insurance business deposited Government Bonds with par value of \$680,000 under the trust account of Mega International Commercial Bank Co., Ltd. on August 31, 2011.
 - Articles 141 and 142 of the Insurance Law require an insurance company to place a statutory deposit with the government equal to 15% of its paid-in capital. The deposit will not be returned until cessation of business and liquidation has been completed. At the end of the financial reporting period, the Consolidated Company deposited Government Bonds in the Central Bank of the Republic of China as follows:

December 31, 2022	December 31, 2021
<u>\$ 21,228,400</u>	<u>\$ 21,228,400</u>

- The Consolidated Company’s life insurance business has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation

Bureau for the years 2016 and 2017. The Consolidated Company's life insurance business deposited Government Bonds amounting to \$275,000 as a statutory deposit in July 2020.

- (e) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set a certificate of deposit of \$800,000 as contract security deposit on December 6, 2019.
- (f) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 520-2 and other 31 lands, Wang Gao Lou Section, Tamsui District, New Taipei City" held by New Taipei City Government, the Consolidated Company's life insurance business set a certificate of deposit of \$46,029 (including subsequent interest) as contract security deposit on January 12, 2021.
- (g) The Consolidated Company's life insurance business is engaged in trading of derivative instruments, as of December 31, 2022, the Consolidated Company's life business deposited U.S. Government Bonds amounting to \$7,705,736 and cash amounting to \$1,979,438 as the guarantee for derivative instruments. Refer to Note 6(8) for details of the offset of guarantee of derivative instruments and derivative instrument assets and liabilities.
- (h) The Consolidated Company's property insurance business engaged in insurance bidding business, as of December 31, 2022, the Consolidated Company's property business had time deposits of \$20,161 as the contract security deposit.
- (i) Except as stated above, the Consolidated Company's refundable deposits is mainly from leases and property investments, etc.

(16) Insurance products - separate account

A. The insurance products - separate account classified under assets on insurance products - separate account, liabilities on insurance products - separate account, revenues on insurance products - separate account and expenses on insurance products-separate account are detailed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets on insurance products - separate account		
Cash in bank	\$ 121,251	\$ 106,107
Financial assets at fair value through profit or loss	192,609,805	210,239,725
Other receivables	289,827	321,721
	<u>\$ 193,020,883</u>	<u>\$ 210,667,553</u>
Liabilities on insurance products - separate account		
Reserve for insurance products - separate account-insurance contracts	\$ 121,000,336	\$ 131,989,809
Reserve for insurance products - separate account-investment contracts	71,670,987	78,302,951
Other payables	349,560	374,793
	<u>\$ 193,020,883</u>	<u>\$ 210,667,553</u>
	<u>2022</u>	<u>2021</u>
Revenues on insurance products - separate account		
Premiums income	\$ 10,833,730	\$ 11,504,229
(Loss) gain on financial assets at fair value through profit or loss and foreign exchange	(7,697,177)	4,553,260
	<u>\$ 3,136,553</u>	<u>\$ 16,057,489</u>
	<u>2022</u>	<u>2021</u>
Expenses on insurance products - separate account		
Claims and policy benefits payments	\$ 372,484	\$ 380,790
Surrender charges	9,475,729	16,839,217
Net change of reserve - insurance contracts	(13,074,991)	31,388,384
Administration charges and cost of insurance	1,635,207	1,597,708
Payment for cash dividends	4,728,124	2,034,903
	<u>\$ 3,136,553</u>	<u>\$ 52,241,002</u>

- B. The Consolidated Company received sales incentive bonus recognised as fee income from counterparties relative to the above investment-linked insurance products as follows:

	2022		2021
\$	1,512,257	\$	1,581,434

- C. On September 17, 2019, the Consolidated Company was penalised by the competent authority because “the Invision” information system violated the Insurance Act and was asked to terminate the business of new investment-linked insurance product contract by the next day of receiving the sanction. Only until the information system of investment-linked insurance product is improved and is verified by the third-party professional institution and reported to the authority for approval, the business of new investment-linked insurance product contract can be restarted. The Consolidated Company has established an improvement plan for the procedure of the investment-linked insurance product, including relevant control mechanisms and continuing to improve the information system.

(17) Short-term debts

	December 31, 2022	December 31, 2021
Bonds sold under repurchase agreements	\$ 12,992,000	\$ -

- A. To fulfil the needs of short-term transaction of derivative instruments, as of December 31, 2022, the Consolidated Company transacted bonds sold under repurchase agreements at a contracted interest rate range from 1.28% to 2.00%.
- B. Refer Notes 6(7) and 6(8) for details of Government Bonds classified as financial assets at amortised cost being pledged as collateral for the liabilities of bonds sold under repurchase agreements which were transacted by the Consolidated Company.

(18) Payables

	December 31, 2022	December 31, 2021
Claims and policy benefits payable	\$ 1,500,315	\$ 749,211
Commissions payable	2,277,263	2,399,513
Due to reinsurers and ceding companies	1,629,041	1,374,276
Accrued interests	761,650	749,107
Investments payable	11,683,146	3,528,360
Other payables	7,220,918	7,358,393
	<u>\$ 25,072,333</u>	<u>\$ 16,158,860</u>

(19) Financial liabilities at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss		
Derivative instruments	\$ 16,085,125	\$ 1,250,127

For the gain or loss on financial liabilities at fair value through profit or loss recognised by the Consolidated Company and related description of derivative instruments, please refer to Note 6(3).

(20) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable	<u>\$ 42,000,000</u>	<u>\$ 42,000,000</u>

The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10502064510 of FSC dated May 31, 2016, and Public Announcement of Securities-TPEX-Bond No. 10500152721 of Taipei Exchange dated June 20, 2016, of a permit to issue cumulative perpetual subordinated bonds was granted and became effective.

The stipulated terms of issuance are as follows:

- A. Total issuance amount: NT\$25,000,000 thousand.
- B. Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- C. Issuance period: Perpetual.
- D. Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 20, 2016 the coupon rate is 3.5%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- E. Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- F. Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
- G. Form of issuance: The bond is issued in non-physical form.

The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10602051720 of FSC dated May 31, 2017, and Public Announcement of Securities-TPEX-Bond No. 10600151791 of Taipei Exchange dated June 23, 2017, of a permit to issue cumulative perpetual subordinated bonds was granted and became effective.

The stipulated terms of issuance are as follows:

- A. Total issuance amount: NT\$7,000,000 thousand.
- B. Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- C. Issuance period: Perpetual.
- D. Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 23, 2017 the coupon rate is 3.45%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- E. Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- F. Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
- G. Form of issuance: The bond is issued in non-physical form.

The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10704153520 of FSC dated June 12, 2018, and Public Announcement of Securities-TPEX-Bond No. 10700153831 of Taipei Exchange dated June 29, 2018, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective.

The stipulated terms of issuance are as follows:

- A. Total issuance amount: NT\$10,000,000 thousand.
- B. Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- C. Issuance period: Perpetual.
- D. Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 29, 2018 the coupon rate is 3.3%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
- E. Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- F. Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
- G. Form of issuance: The bond is issued in non-physical form.

(21) Reinsurance contract assets and insurance contract liabilities

	December 31, 2022	December 31, 2021
Reinsurance contract assets		
Life insurance	\$ 1,238,479	\$ 942,924
Property insurance	3,171,662	3,018,495
	<u>\$ 4,410,141</u>	<u>\$ 3,961,419</u>
	December 31, 2022	December 31, 2021
Insurance liabilities		
Life insurance	\$ 4,576,388,797	\$ 4,397,362,939
Property insurance	9,549,603	8,500,061
	<u>\$ 4,585,938,400</u>	<u>\$ 4,405,863,000</u>

A. Life insurance

The components of reinsurance contract assets are as follows:

	December 31, 2022	December 31, 2021
Claims recoverable from reinsurers	\$ 907,517	\$ 749,915
Due from reinsurers and ceding companies	206	-
Reinsurance reserve assets		
Ceded unearned premium reserve	153,453	143,585
Ceded claims reserve	177,303	49,424
	<u>\$ 1,238,479</u>	<u>\$ 942,924</u>

Reinsurance contract assets held by the Consolidated Company's life insurance are neither past due nor impaired, and they all ceded to reinsurers with S&P rating A or above.

The components of insurance contract liabilities are as follows:

	December 31, 2022	December 31, 2021
Unearned premium reserve	\$ 19,333,397	\$ 18,639,588
Claims reserve	10,538,532	8,243,622
Policy reserve	4,530,866,645	4,357,006,917
Special reserve	9,190,758	7,507,581
Premium deficiency reserve	6,459,465	5,965,231
	<u>\$ 4,576,388,797</u>	<u>\$ 4,397,362,939</u>

The movements and components of insurance contract liabilities and reinsurance reserves are as follows:

(a) Unearned premium reserve and ceded unearned premium reserve

	2022	2021
Unearned premium reserve:		
At January 1	\$ 18,639,588	\$ 18,210,548
Provision	19,333,359	18,639,595
Recovery	(18,639,588)	(18,210,548)
Foreign exchange loss (gain)	38	(7)
At December 31	<u>\$ 19,333,397</u>	<u>\$ 18,639,588</u>

	2022	2021
Ceded unearned premium reserve:		
At January 1	\$ 143,585	\$ 131,465
Net change	9,600	12,169
Foreign exchange gain (loss)	268	(49)
At December 31	<u>\$ 153,453</u>	<u>\$ 143,585</u>

(b) Claims reserve and ceded claims reserve

I. The components of claims reserve are as follows:

	December 31, 2022	December 31, 2021
Claims reported but not paid	\$ 3,618,370	\$ 2,634,718
Claims incurred but not reported and paid	6,920,162	5,608,904
	<u>\$ 10,538,532</u>	<u>\$ 8,243,622</u>

II. The movement of claims reserve and ceded claims reserve are as follows:

	2022	2021
Claims reserve:		
At January 1	\$ 8,243,622	\$ 8,253,166
Provision	10,526,731	8,245,066
Recovery	(8,243,622)	(8,253,166)
Foreign exchange loss (gain)	11,801	(1,444)
At December 31	<u>\$ 10,538,532</u>	<u>\$ 8,243,622</u>

	2022	2021
Ceded claims reserve:		
At January 1	\$ 49,424	\$ 30,726
Net change	127,805	18,695
Foreign exchange gain	74	3
At December 31	<u>\$ 177,303</u>	<u>\$ 49,424</u>

(c) Policy reserve

I. The components of policy reserve are as follows:

	December 31, 2022	December 31, 2021
Insurance contracts	\$ 4,332,251,861	\$ 4,149,273,102
Investment contracts with discretionary participation features	197,391,055	206,675,641
Life policy reserve-catastrophe reserve recovered	50,691	50,691
Policy benefit-pending payment to policyholder	1,173,038	1,007,483
	<u>\$ 4,530,866,645</u>	<u>\$ 4,357,006,917</u>

II. The movements of policy reserve are as follows:

	2022	2021
At January 1	\$ 4,356,618,334	\$ 4,203,427,299
Provision	290,795,863	367,797,635
Recovery	(228,682,043)	(191,806,647)
Foreign exchange loss (gain) and others	111,580,353	(22,799,953)
At December 31 (Note)	<u>\$ 4,530,312,507</u>	<u>\$ 4,356,618,334</u>

Note: Reclassification from claims and policy benefits payable to reserve for policy benefits-pending payment to policyholder amounting to \$554,138 and \$388,583, respectively. The total reserve amount of policy benefits after reclassification as of December 31, 2022 and 2021 are \$4,530,866,645 and \$4,357,006,917, respectively.

III. The related interest expense from the above discount-based insurance contract liabilities are as follows:

2022	2021
<u>\$ 150,122,874</u>	<u>\$ 145,107,207</u>

IV. The Consolidated Company's reserves of insurance contracts and financial instruments with discretionary participation features are recognised based on "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", not valued at fair value. The financial instruments with discretionary participation feature (variable interest rate annuity) reported in each report period by the Consolidated Company, is based on credited interest rate to accumulate the account value. Those financial instruments' discretionary participation feature has no quoted market price and the fair value could not be reliably

measured, so no need to disclose those fair value. At the end of each reporting date, except for paid under insurance terms, the Consolidated Company does not plan to sell those financial instruments.

(d) Special reserve

I. The components of special reserve are as follows:

	December 31, 2022	December 31, 2021
Reserve for real estate appreciation	\$ 1,354,257	\$ 1,354,257
Dividend payment reserve	7,836,501	6,153,324
	<u>\$ 9,190,758</u>	<u>\$ 7,507,581</u>

II. The movements of special reserve are as follows:

	2022	2021
At January 1	\$ 7,507,581	\$ 7,211,534
Dividend reserve provision (Note)	1,847,963	631,060
Dividend payment reserve written-off (	164,786)	335,013)
At December 31	<u>\$ 9,190,758</u>	<u>\$ 7,507,581</u>

Note : Including the effect arising from investment in equity instrument at fair value through other comprehensive income of participating policy whose disposal gain or loss was transferred to retained earnings amounting to \$0 and \$14,253 for the year 2022 and 2021, respectively.

(e) Premium deficiency reserve

	2022	2021
At January 1	\$ 5,965,231	\$ 7,228,363
Provision	1,913,434	2,144,225
Recovery	(1,660,607)	(3,338,516)
Foreign exchange loss (gain)	241,407	(68,841)
At December 31	<u>\$ 6,459,465</u>	<u>\$ 5,965,231</u>

B. Property insurance

(a) Reinsurance contract assets are shown below:

	December 31, 2022	December 31, 2021
Claims recoverable from reinsurers	\$ 562,506	\$ 355,835
Due from reinsurers and ceding companies	7	11
Overdue receivable	1,898	3,460
Reinsurance contract assets reserve		
Ceded unearned premium reserve	1,359,114	1,565,575
Ceded claim reserve	1,257,010	1,059,922
Ceded premium deficiency reserve	-	39,617
Subtotal	3,180,535	3,024,420
Less: Allowance for loss	(8,873)	(5,925)
	<u>\$ 3,171,662</u>	<u>\$ 3,018,495</u>

- I. Reinsurance contract assets neither overdue nor impaired were rated with S&P BBB+ or above, so it expects that the probability of default is remote.
- II. Amount of reinsurance contract assets and aging analysis that were past due but not impaired or impaired are as follows:

	December 31, 2022	December 31, 2021
31-90 days	\$ 200,970	\$ 179,836
91-180 days	245,210	55,228
181-270 days	6,314	868
Over 271 days	1,836	3,420
	<u>\$ 454,330</u>	<u>\$ 239,352</u>

Aging of above claims recoverable from reinsurers, due from reinsurers and ceding companies were classified based on settlement date, reclassified as overdue receivables in 9 months.

- III. Changes in allowance for loss on reinsurance contract assets are as follows:

	2022	2021
At January 1	\$ 5,925	\$ 5,860
Provision of loss	2,948	65
At December 31	<u>\$ 8,873</u>	<u>\$ 5,925</u>

(b) Insurance contract liabilities are shown below:

	December 31, 2022	December 31, 2021
Unearned premium reserve	\$ 3,988,387	\$ 3,796,828
Claim reserve	3,057,846	2,294,616
Special reserve	2,334,920	2,322,886
Premium deficiency reserve	168,450	85,731
	<u>\$ 9,549,603</u>	<u>\$ 8,500,061</u>

I. Movements of unearned premium reserve and ceded unearned premium reserve are as follows:

2022			
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,796,828	\$ 1,565,575	\$ 2,231,253
Provision	3,988,387	1,359,114	2,629,273
Recovery	(3,796,828)	(1,565,575)	(2,231,253)
At December 31	<u>\$ 3,988,387</u>	<u>\$ 1,359,114</u>	<u>\$ 2,629,273</u>

2021			
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,179,865	\$ 1,296,702	\$ 1,883,163
Provision	3,796,828	1,565,575	2,231,253
Recovery	(3,179,865)	(1,296,702)	(1,883,163)
At December 31	<u>\$ 3,796,828</u>	<u>\$ 1,565,575</u>	<u>\$ 2,231,253</u>

II. Claim reserve and ceded claim reserve

December 31, 2022			
Item	Claim reserve	Ceded claim	
		reserve	Retention
Reported but not paid claim reserve	\$ 1,667,808	\$ 793,921	\$ 873,887
Incurred but not reported claim reserve	1,390,038	463,089	926,949
	<u>\$ 3,057,846</u>	<u>\$ 1,257,010</u>	<u>\$ 1,800,836</u>

December 31, 2021			
Item	Claim reserve	Ceded claim	
		reserve	Retention
Reported but not paid claim reserve	\$ 1,288,678	\$ 650,950	\$ 637,728
Incurred but not reported claim reserve	1,005,938	408,972	596,966
	<u>\$ 2,294,616</u>	<u>\$ 1,059,922</u>	<u>\$ 1,234,694</u>

Movements of claim reserve and ceded claim reserve are as follows:

2022			
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 2,294,616	\$ 1,059,923	\$ 1,234,693
Provision	3,057,846	1,257,010	1,800,836
Recovery	(2,294,616)	(1,059,923)	(1,234,693)
At December 31	<u>\$ 3,057,846</u>	<u>\$ 1,257,010</u>	<u>\$ 1,800,836</u>

2021			
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 2,013,326	\$ 961,349	\$ 1,051,977
Provision	2,294,616	1,059,922	1,234,694
Recovery	(2,013,326)	(961,349)	(1,051,977)
At December 31	<u>\$ 2,294,616</u>	<u>\$ 1,059,922</u>	<u>\$ 1,234,694</u>

III. Special reserve

Insurance type	December 31, 2022	December 31, 2021
Compulsory insurance	\$ 2,264,805	\$ 2,185,525
Others	70,115	137,361
	<u>\$ 2,334,920</u>	<u>\$ 2,322,886</u>

(i) Movements of special reserve are as follows:

2022			
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,185,525	\$ 12,471	\$ 124,890
Provision	79,280	-	-
Recovery	-	-	(67,246)
At December 31	<u>\$ 2,264,805</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>

2021			
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,150,568	\$ 13,065	\$ 124,890
Provision	34,957	-	-
Recovery	-	(594)	-
At December 31	<u>\$ 2,185,525</u>	<u>\$ 12,471</u>	<u>\$ 124,890</u>

(ii) Pursuant to “Notes for Strengthening Reserve for Natural Disaster of Property Insurance Enterprises”, effective January 1, 2013, special reserve recognised under

liabilities before December 31, 2012 shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon/flood insurance except for reserves for other types of insurance like compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons/flood insurance. These reserves shall then be recognised under liabilities. The remaining, net of income tax, shall be recognised as special reserves under stockholders' equity in accordance with IAS 12. Besides, the aforementioned notes were amended in accordance with the Jin-Guan-Pao-Tsai Letter No. 11101405951 dated June 30, 2022, and were renamed "Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises". According to the eighth point of the Notes, upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount for special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the "Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance". For the year ended December 31, 2022, the Consolidated Company's property insurance business recovered \$67,246 from the risk-volatility reserve because pandemic related insurance products met with the condition of aforementioned Notes due to the Coronavirus Disease (Covid-19). Additionally, according to "Note for Strengthening Reserve of Pool Members Residential Earthquake" and "Regulations Governing the setting Aside of Liability Reserve Provision of Nuclear Energy Insurance", effective January 1, 2013, special reserve that has been set aside shall be retained under special reserve for insurance liability.

To the Consolidated Company, in case that the Subsidiary had considered not to apply the abovementioned notices, the effects on the net income, earnings per share, special reserve and total equity are listed below:

Item	2022		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 31,499,840	\$ 31,553,637	\$ 53,797
Earnings per share	2.28	2.28	-
Special reserve	11,455,563	11,525,678	70,115
Total equity	281,632,341	281,576,249	(56,092)

Item	2021		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 59,692,938	\$ 59,693,413	\$ 475
Earnings per share	4.32	4.32	-
Special reserve	9,693,106	9,830,467	137,361
Total equity	511,630,904	511,521,015	(109,889)

- (iii) Starting from April, 1, 2021, the Consolidated Company's property insurance business should monthly provision NT\$30 for each insurance policy as reserves from the business fees of insurer of property insurance according to the Compulsory Automobile Liability Insurance Act Article 2, Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises Article 24-2, Item 1 which was authorised and set by Insurance Act Article 145, Item 2 and Article 148-3, Item 2. If the annual net premium had deficiency when property insurance industry engaged in this business, it should be offset by the reserve first, if it is not sufficient, it should be executed according to Compulsory Automobile Liability Insurance Act and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.
- (iv) The adjustments from changes in the reserve for premiums deficiency and ceded premium deficiency reserve were as follows:

2022			
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 85,731	\$ 39,617	\$ 46,114
Provision	168,450	-	168,450
Recovery	(85,731)	(39,617)	(46,114)
At December 31	<u>\$ 168,450</u>	<u>\$ -</u>	<u>\$ 168,450</u>

2021			
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 75,611	\$ 35,393	\$ 40,218
Provision	85,731	39,617	46,114
Recovery	(75,611)	(35,393)	(40,218)
At December 31	<u>\$ 85,731</u>	<u>\$ 39,617</u>	<u>\$ 46,114</u>

(22) Reserve for insurance with nature of financial instruments

The Consolidated Company issued financial instruments without discretionary participation features. As of December 31, 2022 and 2021, the details of and adjustment from change in the reserve for insurance with nature of financial instruments are as follows:

	December 31, 2022	December 31, 2021
Investment-linked product	<u>\$ 642,763</u>	<u>\$ 501,767</u>

	2022	2021
At January 1	\$ 501,767	\$ 286,909
Net provision of statutory reserve	134,195	216,257
Foreign exchange loss (gain)	6,801	(1,399)
At December 31	<u>\$ 642,763</u>	<u>\$ 501,767</u>

(23) Reserve for foreign exchange valuation

A. In accordance with the “Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the Consolidated Company set aside reserve for foreign exchange valuation under liabilities. Movements are as follows:

	2022	2021
At January 1	\$ 7,392,686	\$ 3,831,142
Provision		
Compulsory provision	4,621,353	5,070,935
Additional provision	49,647,506	8,772,150
Subtotal	54,268,859	13,843,085
Recovery	(19,069,435)	(10,281,541)
At December 31	\$ 42,592,110	\$ 7,392,686

As of March 30, 2021 and January 5, 2022, the Consolidated Company received approvals from Jin-Guan-Bao-Sho Letter. No.1100415937 and No.1100438810, respectively, in line with “Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises”, and the Consolidated Company additionally provisioned the foreign exchange valuation reserve amounted to \$5,000,000 and \$2,500,000, respectively.

B. The accounts eligible or ineligible for the reserve for foreign exchange valuation are as follows:

Item	2022		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 59,713,176	\$ 31,553,637	(\$ 28,159,539)
Earnings per share	4.32	2.28	(2.04)
Reserve for foreign exchange valuation	-	42,592,110	42,592,110
Total equity	315,696,416	281,576,249	(34,120,167)

Item	2021		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 62,542,648	\$ 59,693,413	(\$ 2,849,235)
Earnings per share	4.52	4.32	(0.20)
Reserve for foreign exchange valuation	-	7,392,686	7,392,686
Total equity	517,481,643	511,521,015	(5,960,628)

(24) Provisions

	December 31, 2022	December 31, 2021
Provisions for employee benefits	\$ 3,063,179	\$ 4,391,098
Other provisions	252,094	232,321
	\$ 3,315,273	\$ 4,623,419

A. Provisions of the Consolidated Company include employee benefits, lawsuits, claims and dispute on labor insurance. Employee benefits and dispute on labor insurance are described in Note 6(25).

B. The details of other provisions are listed below:

	2022	2021
At January 1	\$ 232,321	\$ 213,337
Provisions	27,163	19,953
Recovery	(7,390)	(969)
At December 31	<u>\$ 252,094</u>	<u>\$ 232,321</u>

The actual amount and timing of payment of the above lawsuits, claims and new labor pension dispute between agents depends on each result of lawsuit, the policyholder's further requests or the competent authority's decision. The Consolidated Company uses professional legal advice or the percentage of occurrence to estimate the reasonability of provisions.

(25) Post-employee benefits

A. Defined benefit plans

(a) The Consolidated Company has a defined benefit pension plan (the "Plan"), starting from April, 1998 in accordance with the "Labor Standards Law", covering all regular employees' service years prior to the enforcement of the "Labor Pension Act" on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Benefits under the Plan are based on participants' length of service and average salaries at the time of retirement, with a benefit ceiling of 45 months of salary. The Consolidated Company makes a monthly provision and contributes an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The remaining is recorded as accrued pension cost. The retirement fund balance is not included in the financial statements.

The Consolidated Company also sets up an employee welfare measure of group term life insurance, which applies to all employees who were on board before April 17, 2009. Upon retirement, the renewal of group term life insurance will be the same as at the time of retirement during the first year, and decrease by 50% of insurance after the year of retirement. It is valid for employees' whole life and all of the insurance payments are shouldered by the Consolidated Company.

(b) The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 4,337,433	\$ 5,535,298
Fair value of plan assets	(1,274,254)	(1,144,200)
Net defined benefit liability	<u>\$ 3,063,179</u>	<u>\$ 4,391,098</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2022</u>			
Balance at January 1	\$ 5,535,298	\$ 1,144,200	\$ 4,391,098
Recognised in profit or loss:			
Current service cost	106,614	-	106,614
Interest expense/income	39,850	5,645	34,205
Current pension costs (Note)	146,464	5,645	140,819
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	89,998	(89,998)
Change in demographic assumptions	7,693	-	7,693
Change in financial assumptions	(1,105,677)	-	(1,105,677)
Experience adjustments	(90,484)	-	(90,484)
	(1,188,468)	89,998	(1,278,466)
Pension fund contribution	-	43,780	(43,780)
Paid pension	(155,861)	(9,369)	(146,492)
Balance at December 31	<u>\$ 4,337,433</u>	<u>\$ 1,274,254</u>	<u>\$ 3,063,179</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2021</u>			
Balance at January 1	\$ 5,856,563	\$ 1,092,651	\$ 4,763,912
Recognised in profit or loss:			
Current service cost	118,685	-	118,685
Interest expense/income	20,185	3,155	17,030
Current pension costs (Note)	138,870	3,155	135,715
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)	-	16,161	(16,161)
Change in demographic assumptions	52,379	-	52,379
Change in financial assumptions	(520,993)	-	(520,993)
Experience adjustments	115,356	-	115,356
	(353,258)	16,161	(369,419)
Pension fund contribution	-	38,994	(38,994)
Paid pension	(106,877)	(6,761)	(100,116)
Balance at December 31	<u>\$ 5,535,298</u>	<u>\$ 1,144,200</u>	<u>\$ 4,391,098</u>

Note: Including capitalised intangible assets amounting to \$587 and \$330 in 2022 and 2021, respectively.

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Consolidated Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Consolidated Company has no right to participate in managing and operating that fund and hence the Consolidated Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used are as follows:

Retirement benefits for employees		December 31, 2022	December 31, 2021
Discount rate		1.60%~1.80%	0.50%~0.60%
Future salary increases		2.70%~3.00%	2.50%~3.00%
Expected return on plan assets		1.60%~1.80%	0.50%~0.60%

Group life insurance for employees		December 31, 2022	December 31, 2021
Discount rate		2.55%	1.00%
Future salary increases		2.70%	2.50%

Assumptions regarding future mortality experience are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2022	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 166,231)	\$ 177,509	\$ 93,776	(\$ 90,899)

	Discount rate		Future salary increases rate	
	Increase	Decrease	Increase	Decrease
December 31, 2021	0.25%	0.25%	0.25%	0.25%
Effect on present value of defined benefit obligation	(\$ 251,385)	\$ 271,198	\$ 111,046	(\$ 107,997)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Consolidated Company in 2023 amount to \$58,843.

(g) As of December 31, 2022, the weighted average duration of the retirement plan, employee welfare measure of group term life insurance of the Company, and the retirement plan of the subsidiary are 9.30, 29.05 and 10.40 years, respectively.

B. Defined contribution plans

Effective July 1, 2005, the Consolidated Company has established a defined contribution pension plan (the "New Plan") in accordance with the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Consolidated Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. Pension

expenses recognised by the Consolidated Company are as follows:

2022		2021	
\$	302,925	\$	300,655

Effective February 24, 2012, the Consolidated Company has provided labor insurance for certain field agents in accordance with order issued by the Bureau of Labor Insurance. For those field agents who have been enrolled in labor insurance under the order issued by the Bureau of Labor Insurance, the Consolidated Company is supposed to make contribution of labor pension for them accordingly. Thus, the above amounts include labor pension costs of those field agents.

The Consolidated Company has established the Employees' Retirement Fund Supervisory Committee (the "Committee"), based on the Employees' Retirement Fund Custody and Distribution Guidelines (the "Guidelines") in August, 2005 that apply to appointed managers, to administer the retirement fund. The Consolidated Company makes a monthly provision equal to at least 6% of appointed managers' salaries to the retirement fund for the Committee to handle. The Consolidated Company recognised pension expenses as follows:

2022		2021	
\$	13,910	\$	12,737

Note: Including pension expenses capitalised in construction in progress and intangible assets amounting to \$2,612 and \$1,906 in 2022 and 2021, respectively.

- C. Regarding the issue that some field agents requested the Consolidated Company's life insurance business to appropriate pension funds for them:

The Consolidated Company's life insurance business has always assigned work to the agents since 1970 and it is affirmed through 48 rulings rendered by civil courts that the relationship between field agents and the Consolidated Company's life insurance business is not a labor contractual relationship. However, a few agents claimed that it is a labor contractual relationship and hence legal disputes over Labor Standards Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, and National Health Insurance Act have been raised. Earlier the administrative court dismissed the petition of the Consolidated Company's life insurance business for related administrative remedy. The administrative court, however, interprets the laws inconsistently with the abovementioned rulings rendered by the civil court and thus gives rise to conflict between the two adjudicative bodies.

In addition, the Executive Yuan had revoked the penalty decisions made by the Department of Labor, Taipei City Government with 5 petition decisions while Taipei City Government also revoked the penalty decisions made by the Department of Labor, Taipei City Government with 2 petition decisions.

It indicates that what a few field agents contested is legally contentious. To end the disputes, the Consolidated Company's life insurance business petitioned for the interpretation by Grand Justices. On October 21, 2016, the Judicial Yuan Interpretation No. 740 was released and stated that whether the labor contract entered by an insurance agent and the assigning company falls under the labor contract stipulated in subparagraph 6 of Article 2 of Labor Standards Act depends on whether the labor debtor (insurance agent) is able to decide the method of labor (including working hours) and whether he/she bears the business risk (e.g. the payment is based on the premium accrued from the policy he/she solicited), instead of determining the nature of contract in compliance with the provisions of Regulations

Governing the Supervision of Insurance Solicitors.

As the J.Y. Interpretation illustrates, the relationship between the Consolidated Company's life insurance business and the agents does not fall under the definition of labor contract provided in the Labor Standards Act and thus related regulations such as Labor Standards Act does not apply. The Consolidated Company's life insurance business is not obliged to appropriate pension funds for field agents. The Consolidated Company's life insurance business respects the J.Y. Interpretation, complies with the substance of the interpretation, and follows the appropriate proceedings to settle the disputes.

(26) Other liabilities

	December 31, 2022	December 31, 2021
Advance receipts and temporary credits	\$ 3,131,176	\$ 2,367,311
Guarantee deposits received	2,504,781	5,676,367
Accrued policy dividends	22,763,403	20,845,257
	<u>\$ 28,399,360</u>	<u>\$ 28,888,935</u>

(27) Equity

A. Capital

As at December 31, 2022 and 2021, the Company's authorised capital both amounted to \$150,000,000 whereas paid-in capital are both \$138,219,000. All stocks issued by the Company are common stocks with par value at \$10 (in dollars). All proceeds from shares issued have been collected.

B. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. As of December 31, 2022, all the capital surplus is the premium on issuance of shares exceeding par value.

C. Retained earnings and earnings distribution

(a) The Company's Articles of Incorporation provided that where a profit is accrued during the year, the earnings should be reserved to pay all taxes and dues and offset accumulated deficit. Then set aside legal reserve and appropriate special reserve out of the remaining earnings in accordance with the laws and regulations of competent authority. For the accumulated amount of debit balance on other equity interest of prior periods, the same amount of special reserve should be provisioned from prior undistributed earnings. The distribution plan for the remaining plus beginning undistributed earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. The dividend distribution of the Company is based on a strong foundational structure, well-maintained capital adequacy ratio and focused on the benefit of stockholders. The percentage between stock dividend and cash dividend is adjusted based on the actual annual earnings and capital position in the current year.

Legal reserve can be used for covering accumulated deficit. The use of legal reserve for the issuance of new stocks or cash to shareholders is permitted, provided that the

distribution of the reverse is limited to the portion in excess of 25% of the Company's paid-in capital. Information about the appropriation of earnings by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. For information relating to employees' compensation (bonus), please refer to Note 6(35).

- (b) On June 15, 2022 and August 27, 2021, the Company held the shareholders' meeting and approved the appropriation of earnings for the years ended December 31, 2021 and 2020 as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Legal reserve	\$ 11,992,203	\$ 7,406,440
Special reserve	41,822,779	35,687,926
Dividend	6,146,000	-
Dividend per share	0.44	-

In 2020, the Company had used legal reserve in offsetting deficits amounting to \$6,062,118, it had been compensated with the approval of the stockholders at the stockholders' meeting in 2021.

- (c) Special reserve under equity

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Catastrophe reserve and risk claim reserve	\$ 33,206,202	\$ 35,133,664
Reserve for foreign exchange valuation	37,176,681	27,023,277
Reserve for real estate appreciation recovery	5,417,029	5,417,029
The net affected amounts of adoption of the fair value of investment property	20,693,800	21,215,049
Gain from disposal of the financial debt instruments before their maturities	69,727,108	52,637,111
Variable interest rate products	5,605,649	-
Others	8,966,218	1,334,378
	<u>\$ 180,792,687</u>	<u>\$ 142,760,508</u>

I. Catastrophe reserve and risk claim reserve

- (i) The net movement of special reserve after tax

The additional provision of special reserve should be recognised to "special reserve" under equity after tax. In addition, when the special reserve is insufficient to write off or recover with respect to the amounts that can be written-off or recovered, the "special reserve under equity" is used to write-off or recover the deficiency.

- (ii) Risk claim reserve recovered

Pursuant to regulations on appropriation of provisions for insurance industry,

the Company recovered after-tax balance of special reserve for hazard change. In accordance with Tai-Tsai-Bao Letter No. 0920700594 issued by Ministry of Finance on January 24, 2003, the amount is classified as special reserve after being recognised at the shareholders' meeting in the next year. Any other appropriation or purpose of use is subject to an approval.

II. Reserve for foreign exchange valuation

- (i) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises, life insurance enterprises should recognise the saved hedging cost to the special reserve under equity annually. The special reserve under equity can be made in the subsequent years when the earnings of current year are insufficient. The aforementioned special reserve under equity only can be reversed to increase capital or offset against accumulated deficit.
- (ii) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises and Jin-Guan-Bao-Tsai Letter No.1090490453, the Company shall set aside 10% of after-tax net income and the amount of other profit (or loss) items adjusted to the current year's undistributed earnings in the current year as a special reserve except upon obtaining approval from FSC.
- (iii) According to the "Regulation Governing the Setting Aside of Various Reserve for Insurance Enterprises", the initial amount of reserve for foreign exchange amounting to \$3,486,612 has been entirely transferred to special reserve under equity.

III. Reserve for real estate appreciation

In accordance with Jin-Guan-Bao-Tsai Letter No. 10102515281 dated November 30, 2012, the Company recovered an amount from real estate value-added special reserve for the year ended December 31, 2013 amounting to \$5,417,029, which has been transferred to special reserve under equity as approved at shareholders' meeting in 2014.

IV. Fair value measurement of investment property

According to Jin-Guan-Bao-Tsai Letter No. 10402501001 dated January 23, 2015, the life insurance enterprises should set aside special reserve from the remainder of \$12,143,233 for net effect of subsequent measurement of investment property arising from first-time adoption of fair value model less additional liability reserve that should be set aside for valid contract fair value assessment. The remainder is used only for making up the insufficient amount of liability reserve in the subsequent periods based on the valid contract fair value assessment as approved by the competent authority and stabilizing financial structure in provision of additional reserve in connection with the second phase of IFRS 4, 'Insurance Contracts' in the future. In addition, in pursuant to Jin-Guan-Bao-Tsai Letter No. 10904917647 dated May 11, 2020, the aforementioned letter was revoked. The life insurance enterprises should set aside special reserve from net effect of subsequent measurement of investment property arising from first-time adoption of fair value model and net cumulative incremental gains after tax arising from changes in fair value in subsequent periods, which is not allowed to distribute under the regulation specified in Jin-Guan-Bao-Tsai Letter No. 10904917647, and the special reserve is used only for making up the insufficient amount of insurance contract liabilities in

the subsequent periods based on the valid contract in accordance with IFRS 17, the life insurance business's fair value assessment on valid insurance contract liabilities and other designated valuation method. If the investment property whose special reserve had been used to make up the insufficient amount of insurance contract liabilities can be reversed based on the its original provision ratio after having approval. If the reversed special reserve would be included in the earnings distribution, it should be in accordance with Jin-Guan-Bao-Tsai Letter No. 10202501992.

V. Gain from disposal of the financial debt instruments before their maturities

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804501381 dated June 25, 2019, beginning from January 1, 2019, once the Company disposes the financial debt instruments before their maturities, the disposal gain and loss, after tax, it should be fully transferred from retained earnings to special reserve, which should be amortised and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity period cannot be determined.

(i) Financial assets not measured at fair value.

(ii) Financial assets whose changes are recognised in other comprehensive income measured at fair value.

(iii) Financial assets whose changes are recognised in profit or loss measured at fair value and applied overlay approach.

Fund beneficiary certification, short-term notes and bills, equity preference share and position of segregate asset in relation to participating policy or floating-rate insurance policy can be excluded in the abovementioned unmatured debt instruments.

For the year ended December 31, 2021, the net provision for special reserve amounted to \$17,089,997 in accordance with regulations and self-assessment, which had been approved at shareholders' meeting in 2022.

For the years ended December 31, 2022 and 2021, the special reserve will be provisioned and the balances will be \$69,727,108 and \$52,637,111, respectively. The changes of \$1,361,784 in 2022 will be recovered from special reserve after being resolved at the shareholders' meeting in the next year, and the balance of special reserve will be \$68,365,324.

Gain or loss on derecognition of debt instruments	Amount
Accumulated balance of profit or loss on derecognition of debt instruments as of December 31, 2021	\$ 69,727,108
Provision for after-tax amount of profit or loss on derecognition of debt instruments for the current year (Note)	3,348,217
Current year's net recovered amount	(4,710,001)
Accumulated balance of profit or loss on derecognition of debt instruments at the end of the year	\$ <u>68,365,324</u>

Note: It was a provision, arising from the realised capital gains of \$4,185,271 for the current year, net of income tax of \$837,054.

Year	The accumulated profit from the derecognition of debt instruments, as of December 31, 2021, to be recovered (provisioned) in the future		Provisioned (recovered) amount after tax of profit or loss from derecognition for the current year		The accumulated profit from the derecognition of debt instruments, as of December 31, 2022, to be recovered (provisioned) in the future (Note)	
	(a)		(b)		(c)=(a)+(b)	
2022	\$	4,416,251	\$	293,750	\$	4,710,001
2023		4,405,515		302,697		4,708,212
2024		4,322,275		300,342		4,622,617
2025		4,225,299		269,792		4,495,091
2026		4,155,617		313,974		4,469,591
2027		4,079,136		284,357		4,363,493
2028		4,090,680		242,827		4,333,507
2029		3,487,500		231,272		3,718,772
2030		2,890,013		164,340		3,054,353
2031		2,485,165		155,289		2,640,454
2032 to 2041		21,226,612		696,899		21,923,511
2042 to 2051		9,851,300		92,678		9,943,978
2052 to 2055		91,745		-		91,745
Total	\$	69,727,108	\$	3,348,217	\$	68,365,324

Note: The assessment year was 2022 and the total amount was not including the amount of year 2022.

VI. Variable interest rate products

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804963711 dated January 16, 2020, beginning from July 1, 2020, if the Company still has distributable earnings after the appropriation of the abovementioned special reserves, it should set aside the special reserve in an amount equal to 20% of after-tax increase in variable interest rate product assets' value exceeding the reserve provision in each current-year segregate account. If the Company will appropriate the gain and loss from disposal of the segregate account's financial debt instruments before their maturities, based on Jin-Guan-Bao-Tsai Letter No. 10804501381 dated June 25, 2019, to this year's special reserve, the amount should be excluded from this year's calculation for Jin-Guan-Bao-Tsai Letter No. 10804963711's special reserve. The cap of this special reserve will be equal to the differences, net of tax, between the current year's asset value and the reserve provision in the segregate account. In the future, if the balance of this reserve exceeds the cap, the difference between the balance and the cap can be reversed by the Company in that financial year. The aforementioned asset value needs to exclude unrealised gain or loss on financial assets at fair value through other comprehensive income and gain or loss on reclassification using overlay approach.

VII. Others

(i) Special reserve for Fintech development

According to Jin-Guan-Bao-Tsai Letter No.10502066461 dated July 13, 2016, insurance companies are required to appropriate 0.5% to 1% of annual net income as special reserve for the years ended December 31, 2016 to 2018. And from the next year of appropriating special reserve, the companies can reverse to the extent not beyond the same amount of special reserve where expenses incurred for employees trainings and protection of employees' right. However, in pursuant to Jin-Guan-Pao-Tsai Letter No. 10804932431 dated July 30, 2019, the companies are no longer required to set aside the special reserve starting from 2019. And the special reserve set aside in the previous years can be used for the aforementioned expenditures.

(ii) Debit balance on other equity interest

According to Jin-Guan-Bao-Tsai Letter No. 10102508861, the Company shall set aside special reserve from the debit balance on other equity items at the end of the reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to Jin-Guan-Bao-Tsai Letter No. 11004920441 starting from the distribution of 2021 earnings, the Company should provision from prior undistributed earnings for the accumulated amount of the debit balance on other equity interest of the prior periods as special reserve which could not be distributed. Additionally, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when distributing earnings, the changes in the fair value from reclassified financial assets were accounted into the debit balance on other equity interest, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently, when the total debit changes (including disposals) in the fair value from reclassification

of financial assets and debit balance on other equity interest is reversed, the reversed amount could be included in the distributable earnings. Refer to Note 14(8) for information of the Consolidated Company's reclassification of financial assets.

(iii) Dividend offset reserve

According to Jin-Guan-Bao-Tsai Letter No. 10600012450, the Company has reclassified \$729,626, which was the after-tax amount of dividend offset reserve resulting from the transfer of assets and liabilities by the Chaoyang branch on May 2, 2017 (\$879,067 before-tax), from insurance contract liabilities into special reserve. Any change in dividend offset reserve in the following reporting periods will also be recognised in special reserve in an after-tax amount. The special reserve mentioned above neither be distributed as dividends nor use in other purposes without the approval of the component authority.

(iv) Disability support insurance products

In accordance with Jin-Guan-Bao-Tsai Letter No. 11004908861 dated March 26, 2021, beginning from the year ending 2020, the life insurance business should recognise special reserve for all its net profit after tax from disability insurance. If current net profit is insufficient to cover the amount, it should be made in the subsequent years. In the subsequent years, if there is a deficit generated from disability support insurance, the special reserve could be reversed in the originally recognised amount.

(v) Travel accident insurance

In accordance with Jin-Guan-Bao-Tsai Letter No. 10904939031 dated October 29, 2020, in order to strengthen the financial structure of insurance industry, beginning from the year ending of 2021, after the end of each financial year, to act in accordance with the "Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance" to provision premium income as special reserve. This provision amount is calculated as follows: 10% of total premium income, which is calculated from insurance amount and number of insurance days, minus 20% of nominal tax.

(vi) Other special reserve under equity

The Company provisioned special reserve of 2021 according to the approval of the FSC Insurance Bureau to strengthen the solvency of the Company.

D. Other equity interest

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2022	(\$ 21,842)	\$ 65,804,183	\$ 147,155	\$ 69,478,856	\$ 135,408,352
Amounts recognised in other comprehensive income	13,700	(438,619,080)	-	(193,621,762)	(632,227,142)
Amounts reclassified to profit or loss	-	1,274,799	-	-	1,274,799
Disposal of equity instruments at fair value through other comprehensive income	-	38,832	-	-	38,832
Effect on reclassification of financial assets	-	326,500,148	-	-	326,500,148
Effect on income tax	-	21,067,803	-	27,009,217	48,077,020
December 31, 2022	<u>(\$ 8,142)</u>	<u>(\$ 23,933,315)</u>	<u>\$ 147,155</u>	<u>(\$ 97,133,689)</u>	<u>(\$ 120,927,991)</u>

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2021	(\$ 18,060)	\$ 143,594,185	\$ 147,155	\$ 47,423,308	\$ 191,146,588
Amounts recognised in other comprehensive income	(3,782)	(62,029,415)	-	27,494,410	(34,538,787)
Amounts reclassified to profit or loss	-	(34,465,548)	-	-	(34,465,548)
Disposal of equity instruments at fair value through other comprehensive income	-	42,186	-	-	42,186
Effect on income tax	-	18,662,775	-	(5,438,862)	13,223,913
December 31, 2021	<u>(\$ 21,842)</u>	<u>\$ 65,804,183</u>	<u>\$ 147,155</u>	<u>\$ 69,478,856</u>	<u>\$ 135,408,352</u>

On September 29, 2022, the Board of Directors of the Company approved the change of the business model on managing financial assets, and the reclassification date was October 1, 2022. Refer to Note 14(8) for the information.

(28) Income tax

A. Components of income tax expense are as follows:

	2022	2021
Current income tax		
Current tax on profits for the year	\$ 7,693	\$ 7,870,008
Prior year income tax (overestimation) underestimation	(12,131)	32,622
Foreign tax paid	2,801,150	174,124
Land value increment tax	44	465
Deferred tax		
Origination and reversal of temporary differences	5,511,935	(1,645,552)
Income tax expense	<u>\$ 8,308,691</u>	<u>\$ 6,431,667</u>

B. Reconciliation between income tax expense and accounting profit:

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 7,972,465	\$ 13,225,016
Adjustments:		
Exempt income	(2,387,490)	(7,359,766)
Effect from items disallowed by tax regulation	38,771	39,303
Prior year income tax (overestimation) underestimation	(12,131)	32,622
Adjustment of prior year's income tax -net operating loss carryforward and others	(11,416)	(246,156)
Foreign tax paid	2,801,150	174,124
Reserve for land value incremental tax	483	73,528
Land value increment tax	44	465
Effect of house and land transactions income tax	3,253	-
Effect of alternative minimum tax	(106,572)	496,326
Others	10,134	(3,795)
Income tax expense	<u>\$ 8,308,691</u>	<u>\$ 6,431,667</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ -	\$ 41,588,544	\$ -	\$ 41,588,544
Allowance for bad debts that exceed the limit for tax purpose	855	700	-	1,555
Unrealised loss from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	-	71,470	13,120,008	13,191,478
Unrealised loss from financial assets at fair value through other comprehensive income	-	-	5,717,132	5,717,132
Accrued expenses and others	83,179	(44,756)	-	38,423
Unrealised pension cost	594,990	(9,748)	-	585,242
Remeasurement of defined benefit obligations	286,224	-	(255,694)	30,530
Unrealised loss on foreign exchange	30,705,871	(30,705,676)	-	195
Loss on impairment of financial assets	634,071	1,341,820	-	1,975,891
Total	<u>\$ 32,305,190</u>	<u>\$ 12,242,354</u>	<u>\$ 18,581,446</u>	<u>\$ 63,128,990</u>

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 1,699,471)	(\$ 575,307)	\$ -	(\$ 2,274,778)
Unrealised gain from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	(13,924,311)	35,102	13,889,209	-
Unrealised gain from financial assets at fair value through other comprehensive income	(15,350,671)	-	15,350,671	-
Unrealised gain on foreign exchange	-	(16,975,340)	-	(16,975,340)
Rent-stabilised recognition	(273)	273	-	-
Unrealised increments of investment properties	(1,066,561)	256,775	-	(809,786)
Depreciation of investment properties	(1,834,246)	(495,647)	-	(2,329,893)
Revaluation increment of real estate	(19,730)	338	-	(19,392)
Reserve for land value incremental tax	(1,476,459)	(483)	-	(1,476,942)
Total	<u>(\$ 35,371,722)</u>	<u>(\$ 17,754,289)</u>	<u>\$ 29,239,880</u>	<u>(\$ 23,886,131)</u>

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Net operating loss carryforward	\$ 7,244	(\$ 7,244)	\$ -	\$ -
Allowance for bad debts that exceed the limit for tax purpose	393	462	-	855
Accrued expenses and others	210,124	(126,945)	-	83,179
Unrealised pension cost	595,800	(810)	-	594,990
Remeasurement of defined benefit obligations	360,107	-	(73,883)	286,224
Unrealised loss on foreign exchange	27,794,750	2,911,121	-	30,705,871
Loss on impairment of financial assets	801,012	(166,941)	-	634,071
Total	<u>\$ 29,769,430</u>	<u>\$ 2,609,643</u>	<u>(\$ 73,883)</u>	<u>\$ 32,305,190</u>
Deferred tax liabilities:				
Unrealised gain from financial assets and liabilities at fair value through profit or loss - derivative instrument	(\$ 729,839)	(\$ 969,632)	\$ -	(\$ 1,699,471)
Unrealised gain from financial assets and liabilities at fair value through profit or loss - non-derivative instrument	(8,495,391)	9,942	(5,438,862)	(13,924,311)
Unrealised gain from financial assets at fair value through other comprehensive income	(34,013,446)	-	18,662,775	(15,350,671)
Rent-stabilised recognition	(252,098)	251,825	-	(273)
Unrealised increments of investment properties	(1,378,273)	311,712	-	(1,066,561)
Depreciation of investment properties	(1,339,498)	(494,748)	-	(1,834,246)
Revaluation increment of real estate	(20,068)	338	-	(19,730)
Reserve for land value incremental tax	(1,402,931)	(73,528)	-	(1,476,459)
Total	<u>(\$ 49,034,475)</u>	<u>(\$ 1,037,619)</u>	<u>\$ 13,223,913</u>	<u>(\$ 36,848,181)</u>

D. The amount of the Consolidated Company's unused deficits and its time limit are as follows:

December 31, 2022		
Year of occurrence	Unused deficits	Final deficits year
2022 (Estimated)	\$ 207,942,721	2032

E. The income tax expense (gain) relating to components of other comprehensive income is as follows:

	2022	2021
Actuarial gain or loss arising on defined benefit plans	\$ 255,694	\$ 73,883
Unrealised gain or loss on financial assets at fair value through other comprehensive	(21,067,803)	(18,662,775)
Other comprehensive income on reclassification under the overlay approach	(27,009,217)	5,438,862
	<u>(\$ 47,821,326)</u>	<u>(\$ 13,150,030)</u>

F. The Company's and subsidiaries' income tax returns through 2019 have been assessed and approved by the Tax Authority. However, the Company has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years ended December 31, 2016 to 2019.

G. The Consolidated Company recognised deferred tax assets given that the future taxable income is sufficient for deductible temporary difference after taking into account future income growth and rate of return.

(29) Earnings per share

Earnings per share of the Consolidated Company with simple capital structure are as follows:

	2022	2021
Net income	\$ 31,553,637	\$ 59,693,413
Weighted average shares outstanding (unit: thousand shares)	13,821,900	13,821,900
Earnings per share (unit: dollars)	\$ 2.28	\$ 4.32

(30) Retention earned premium income

2022					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 268,187,801	\$ 8,095,305	\$ 721,324	\$ 5,935,316	\$ 282,939,746
Reinsurance premium written	-	-	246,317	47,618	293,935
Less:					
Reinsurance premium ceded	(3,974,908)	-	(297,942)	(2,231,416)	(6,504,266)
Net change in unearned premiums reserve	(683,958)	(213)	(11,201)	(386,819)	(1,082,191)
Retention earned premium income	<u>\$ 263,528,935</u>	<u>\$ 8,095,092</u>	<u>\$ 658,498</u>	<u>\$ 3,364,699</u>	<u>\$ 275,647,224</u>
2021					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 324,585,125	\$ 15,171,550	\$ 700,761	\$ 5,972,175	\$ 346,429,611
Reinsurance premium written	-	-	230,026	37,561	267,587
Less:					
Reinsurance premium ceded	(3,622,719)	-	(290,680)	(2,775,732)	(6,689,131)
Net change in unearned premiums reserve	(416,741)	(137)	(5,260)	(342,830)	(764,968)
Retention earned premium income	<u>\$ 320,545,665</u>	<u>\$ 15,171,413</u>	<u>\$ 634,847</u>	<u>\$ 2,891,174</u>	<u>\$ 339,243,099</u>

(31) Retention claims and policy benefits payments

2022					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 322,620,825	\$ 2,728,374	\$ 391,423	\$ 4,592,361	\$ 330,332,983
Reinsurance claims paid	-	-	218,448	2,267	220,715
Less:					
Claims recovered from reinsurers	(1,473,367)	-	(231,696)	(1,293,678)	(2,998,741)
Retention claims and policy benefits payments	<u>\$ 321,147,458</u>	<u>\$ 2,728,374</u>	<u>\$ 378,175</u>	<u>\$ 3,300,950</u>	<u>\$ 327,554,957</u>
2021					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 252,060,050	\$ 19,922,787	\$ 450,440	\$ 2,460,057	\$ 274,893,334
Reinsurance claims paid	-	-	218,614	948	219,562
Less:					
Claims recovered from reinsurers	(1,235,792)	-	(268,702)	(1,129,384)	(2,633,878)
Retention claims and policy benefits payments	<u>\$ 250,824,258</u>	<u>\$ 19,922,787</u>	<u>\$ 400,352</u>	<u>\$ 1,331,621</u>	<u>\$ 272,479,018</u>

(32) Interest income

	2022	2021
Cash and cash equivalents	\$ 1,004,277	\$ 351,860
Financial assets at fair value through other comprehensive income	41,713,716	43,358,660
Financial assets at amortised cost	79,578,906	69,770,490
Loans	5,313,428	5,491,820
Refundable deposits of derivative instruments	217,060	2,314
	<u>\$ 127,827,387</u>	<u>\$ 118,975,144</u>

(33) Expected credit loss (reversal) from investments and non-investments

	2022	2021
Operating revenue-expected credit loss (reversal) from investments		
Debt instrument investments measured at fair value through other comprehensive income	\$ 2,075,387	(\$ 173,142)
Financial assets at amortised cost	4,437,066	(675,928)
Bond interest receivable	211,739	(2,268)
Loans and loan interest receivable	(84,287)	(79,994)
Lease payments receivable	(2,776)	8,012
	<u>6,637,129</u>	<u>(923,320)</u>
Operating expense-expected credit loss (reversal) from non-investments		
Receivable (excluding bond interest receivable and loan interest receivable)	5,846	7,468
Expected credit loss (reversal)	<u>\$ 6,642,975</u>	<u>(\$ 915,852)</u>

(34) Financial costs

	2022	2021
Debt instrument investments	\$ 1,446,500	\$ 1,446,500
Default interest for claims	37,118	24,573
Bonds sold under repurchase agreements	27,386	-
Lease liabilities	5,043	4,907
Refundable deposits of derivative instruments	13,705	3,391
	<u>\$ 1,529,752</u>	<u>\$ 1,479,371</u>

(35) Employee benefit expenses, depreciation and amortisation

	2022	2021
Employee benefit expenses		
Salaries	\$ 6,564,881	\$ 6,874,918
Employees' insurance	451,477	440,386
Pension	454,455	446,871
Directors' remuneration	71,531	77,710
Others	298,210	281,811
	<u>\$ 7,840,554</u>	<u>\$ 8,121,696</u>
Depreciation and amortisation	<u>\$ 2,096,998</u>	<u>\$ 1,875,513</u>

A. As of December 31, 2022 and 2021, the Consolidated Company had 4,865 and 4,861 employees, respectively. The number of directors that were not concurrently employed were 18 and 19, respectively.

B. The Consolidated Company's Articles of Incorporation provided that the annual income, after deducting accumulated deficit, if any, shall be appropriated by no lower than 0.5% as employees' compensation for the Consolidated Company. For the years ended December 31, 2022 and 2021, the employees' compensation was accrued at \$202,077 and \$334,039, respectively. The amount was estimated with 0.5% based on the profitability of the Consolidated Company. The difference of \$10 between the amounts resolved by the Board of Directors in 2021 amounting to \$334,049 and the amounts recognised in the 2021 financial statements, mainly resulting from adjustments on accounting estimates, had been adjusted in the profit or loss of 2022. Information about employees' compensation of the Consolidated Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(36) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Acquisition of investment property	\$ 3,480,419	\$ 3,750,649
Acquisition of property and equipment	1,308,221	378,446
Increase in intangible assets	542,494	438,834
Add: Payable at beginning of year- investment property	93,672	350,576
Add: Payable at beginning of year- property and equipment	-	1,912
Add: Payable at beginning of year- intangible assets	986	37,580
Less: Payable at ending of year - investment property (	485,201) (	93,672)
Less: Payable at ending of year - property and equipment	(602)	-
Less: Payable at ending of year - intangible assets	(10,533) (	986)
Cash payments	<u>\$ 4,929,456</u>	<u>\$ 4,863,339</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Ruen Chen Investment Holding Co., Ltd.	Consolidated Company's parent
Ruentex Development Co., Ltd.	Entity having significant influence
Ruentex Industries Co., Ltd.	Entity having significant influence
Pou Chen Corporation	Entity having significant influence
Nan Shan Plaza Property Management Co., Ltd.	Consolidated Company's affiliate
Huei Hong Investment Co., Ltd.	Other related party
Chang Chun Investment Co., Ltd.	Other related party
Yi Tai Investment Co., Ltd.	Other related party
Ruentex Interior Design Inc.	Other related party
Ruentex Management & Maintenance Co., Ltd.	Other related party
Ruentex Engineering & Construction Co., Ltd.	Other related party
Ruentex Materials Co., Ltd.	Other related party
Ruen Fu Newlife Corp.	Other related party
Kompass Global Sourcing Solutions Ltd.	Other related party
Ruentex Security Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Development Co., Ltd.	Other related party
Ruentex Bai-Yi Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party
Ruentex Innovative Development Co., Ltd.	Other related party
Runyang Construction Co., Ltd.	Other related party
Ruen Shin Healthcare Co., Ltd.	Other related party
Shing Yen Construction Development Co., Ltd.	Other related party
Nan Shan Life Charity Foundation	Other related party
Sunny Friend Environmental Technology Co., Ltd.	Other related party
OBI Pharma Inc.	Other related party
Taimed Biologics Inc.	Other related party
Directors, key management and its close relatives	Key management and its close relatives

(2) Significant transactions and balances with related parties

Significant related party transactions and balances are as follows:

A. Premium income

	<u>2022</u>	<u>2021</u>
Significant influence entities	\$ 13,681	\$ 13,274
Consolidated Company's affiliates	6	-
Key management and its close relatives	119,868	144,625
Other related parties	38,064	20,938
	<u>\$ 171,619</u>	<u>\$ 178,837</u>

There is no significant difference between related party and non-related party in terms of underwriting and collection.

B. Donations

	2022	2021
Other related parties	\$ 69,916	\$ 45,039

C. Key management compensation

	2022	2021
Salaries and other short-term employee benefits	\$ 616,808	\$ 689,304
Post-employment benefits	32,767	32,192
Termination benefits	-	1,644
	\$ 649,575	\$ 723,140

D. Life policy loans

Balances of life policy loans lent to key management and its close relatives are as follows:

	December 31, 2022	December 31, 2021
Key management and its close relatives	\$ 5,021	\$ 4,500

There is no significant difference between related party and non-related party in terms of policy loans.

E. Secured loans

Balances of secured loans lent to key management and its close relatives are as follows:

	December 31, 2022	December 31, 2021
Key management and its close relatives	\$ 50,985	\$ 48,306

The related interest income on the loans are as follows:

	2022	2021
Key management and its close relatives	\$ 898	\$ 778

There is no significant difference between related party and non-related party in terms of secured loans.

F. Bonds payable

	December 31, 2022	December 31, 2021
Significant influence entities	\$ 310,000	\$ 310,000
Other related party	500,000	500,000
Key management	-	50,000
	\$ 810,000	\$ 860,000

The interest expense and interest payable resulting from the abovementioned bonds payable are listed as follows:

(a) Interest expense

	2022	2021
Significant influence entities	\$ 10,850	\$ 10,850
Other related party	17,500	17,500
Key management	390	1,750
	\$ 28,740	\$ 30,100

(b) Interest payable

	December 31, 2022	December 31, 2021
Significant influence entities	\$ 5,678	\$ 5,678
Other related party	9,158	9,157
Key management	-	916
	<u>\$ 14,836</u>	<u>\$ 15,751</u>

(3) Commitments

The Consolidated Company committed to the Financial Supervisory Commission, Executive Yuan on August 29, 2011, that it will not enter into any of the following transactions with Ruen Chen unless the regulatory agency approves it:

- A. Provide loans to Ruen Chen and its six stockholders (including Ruextax Development Co., Ltd., Ruentax Industries Ltd., Pou Chen Corp., Chang Chun Investment Co., Ltd., Yitai Investment Co., Ltd. and Hue Hong Investment Co., Ltd.), Samuel Yin, Tsai Chi Jui and their related parties (jointly referred herein as “Ruen Chen and its related parties”).
- B. Invest in common stock, preferred stock and other securities which are issued by Ruen Chen and its related parties.
- C. Purchase real estate from Ruen Chen and its related parties.
- D. Co-develop real estate with Ruen Chen and its related parties.

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

- A. The Consolidated Company had signed the design and construction contracts but has not yet recognised the amounts (tax included) as follows:

December 31, 2022	December 31, 2021
<u>\$ 1,372,633</u>	<u>\$ 2,898,661</u>

- B. Operating lease agreements
Please refer to Note 6(12).
- C. As of December 31, 2022, the upper limit of remaining capital commitment for the contracted private placement of the Consolidated Company are US\$3,043,157 thousand and EUR\$674,919 thousand.
- D. As of December 31, 2022, royalty that the Consolidated Company acquiring superficies with the land remained unpaid amounted to \$13,264,230.
- E. On December 29, 2022, the Board of Directors of the Consolidated Company approved to authorise the chairman to sign equity trading contract with Mercuries Life Insurance Co.,Ltd. to acquire 30.71% of the total number of outstanding 60,000,000 shares in Fuh Hwa Securities Investment Trust Co., Ltd., and it was 18,425,631 common shares.

(2) Contingencies

The Consolidated Company has contingent liabilities due to lawsuits arising from operating activities. Except for those which the Consolidated Company already estimated the provisions, the Consolidated Company still has several lawsuits in progress, which are handled by appointed attorneys. As of the end of the reporting period, the final results of the lawsuits have not been determined so the possible compensation could not be reliably estimated. For details of the labor pension dispute between agents and the Consolidated Company, please refer to Note 6(25).

9. SIGNIFICANT ACCIDENTAL LOSS

None.

10. SIGNIFICANT SUBSEQUENT EVENT

- (1) On September 29, 2022, the Board of Directors of the Consolidated Company's life insurance business appointed Wen-Wei, Fan, the acting President, as "the President". The appointment became effective after the approval of Jin-Guan-Bao-Sho Letter No. 1110495468 issued by the FSC on January 19, 2023.
- (2) On March 1, 2023, the Consolidated Company's life insurance business signed the construction agreement of "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with DACIN Construction Co., Ltd., and the total contract price was \$7,638,750.
- (3) On March 2, 2023, the Consolidated Company's life insurance business signed the "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts for 70 years" with Fut Su Construction Company Limited, and the contract price was \$388,956.

11. FAIR VALUE INFORMATION

(1) Fair value hierarchy

The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investment in listed stocks and beneficiary certificates is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Consolidated Company's investment in government bonds, corporate bonds, bank debentures, structured time deposits, and most derivative instruments is included in Level 2.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Consolidated Company investment in private fund, real estate securitisation, financial assets at amortised cost and investment property is included in Level 3.

(2) Fair value

A. For the Consolidated Company's financial instruments that are not measured at fair value and the investment property measured at cost, such as cash and cash equivalents, accounts receivable, loans, accounts payable, bonds payable and lease liabilities, the carrying amount is a reasonable approximation of fair value other than those listed below so that the fair value is not disclosed.

Financial assets	December 31, 2022			
	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,325,657,899	\$ -	\$ 2,503,223,861	\$ 79,033,818
Investment property (Note 2)	3,075,944	-	-	4,965,084

Financial assets	December 31, 2021			
	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 1,795,473,403	\$ -	\$ 1,804,842,892	\$ 87,431,459
Investment property (Note 2)	2,894,169	-	-	4,504,051

Note 1 : Including statutory deposits.

Note 2 : Excluding direct lease cost, investment property measured in the fair value model and those shown under construction in progress.

The methods and assumptions used to value financial instruments and investment property not measured at fair value are summarised below:

- (a) When there is a quoted market price available for financial assets at amortised cost, the fair value is determined using the quoted market price. If there is no quoted market price for reference, the fair value is determined using quoted price offered by the counterparties or theory price in order.
- (b) The valuation method elected primarily by the Consolidated Company is discounted cash flow method. The estimates and assumptions of valuation adopted by the Consolidated Company are the same with the information used by the market participants, and this information is available for the Consolidated Company. The discount rate employed by the Consolidated Company is identical with the rate of return generated by the financial instruments with the same terms and characteristics, such as issuer's creditworthiness, duration and currency of payment.
- (c) The fair value of investment property is based on valuations performed semi-annually by independent estimators, following Regulation on Real Estate Appraisal. Valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted by the nature, location or condition of individual asset.

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B. The Consolidated Company's financial instruments and investment property measured at fair value are both measured on a recurring basis. Information of fair value hierarchy is as follows:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 267,763,957	\$ -	\$ -	\$ 267,763,957
Beneficiary certificates	369,674,230	-	210,911,189	580,585,419
Debt instruments	-	16,511,114	23,208,594	39,719,708
Derivative instruments	-	27,662,422	-	27,662,422
Structured time deposits	-	16,110,468	-	16,110,468
Financial assets at fair value through other comprehensive income				
Equity instruments	5,082,466	-	209,174	5,291,640
Debt instruments (Note)	-	227,134,800	18,040,980	245,175,780
Investment property	-	-	192,827,191	192,827,191
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	16,085,125	-	16,085,125

Note: Including statutory deposits.

December 31, 2021				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 455,706,719	\$ -	\$ -	\$ 455,706,719
Beneficiary certificates	424,907,483	-	185,595,720	610,503,203
Debt instruments	-	23,452,291	22,108,724	45,561,015
Derivative instruments	-	9,950,668	-	9,950,668
Structured time deposits	-	19,513,367	-	19,513,367
Financial assets at fair value through other comprehensive income				
Equity instruments	6,233,285	-	263,441	6,496,726
Debt instruments (Note)	-	1,465,665,836	41,909,930	1,507,575,766
Investment property	-	-	193,667,580	193,667,580
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	1,250,127	-	1,250,127

Note: Including statutory deposits.

- (a) The methods and assumptions used to value financial instruments and investment property measured at fair value are summarised below:
- I. The sources of the fair value of financial instruments are respectively listed by their characteristics as follows:
 - (i) Equity instruments: Aside from private funds, some real estate securitisation and infrastructure funds which are valued based on the theory price, other equity instruments prioritise using unadjusted closing prices as the basis for measuring market prices of financial products. If there are no closing prices, the fair value is determined by using other pricing conventions.
 - (ii) Domestic debt instruments (including international bonds): Prioritise using public pricing information bulletined by the Taipei Exchange.
 - (iii) Foreign debt instruments: Except callable bonds, securitised products, structured products and securities which the position of single fixed income account for more than 50% of total issuance amount when raising funds, prioritise using the quoted market price as the basis for measuring financial products.
 - II. Except for aforementioned financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.
 - (i) When assessing non-standard and low-complexity financial instruments, for example, FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps, the Consolidated Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (ii) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to debt instruments with structured notes and structured time deposit. Certain inputs used in the valuation model are observable at market, and the Consolidated Company must make reasonable estimates based on its assumptions.
 - (iii) The Consolidated Company adopts the net asset value method to measure the fair value of private funds, some securitised products, infrastructure funds and unlisted stocks. The inputs used in the valuation model are unobservable inputs.
 - III. The Consolidated Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Consolidated Company's credit quality.
 - IV. For the valuation methods, key assumptions and inputs used in the investment property measured subsequently using the fair value model, please refer to Note 6(9).
- (b) For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

(c) The movement of Level 3 instruments is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2022	\$ 207,704,444	\$ 42,173,371
Recognised in profit or loss (Note 1)	-	2,007,363
Recognised in other comprehensive income (Note 2)	15,475,546 (	4,778,101)
Acquired in the period	41,196,615	3,600,444
Disposed of in the period	(30,256,822) (	20,308,430)
Reclassification of financial assets	- (	10,944,493)
Transferred from Level 3	-	6,500,000
December 31, 2022	<u>\$ 234,119,783</u>	<u>\$ 18,250,154</u>

	Investment property
January 1, 2022	\$ 193,667,580
Recognised in profit or loss (Note 1)	(1,112,872)
Acquired in the period	2,182,128
Transferred from constructions in progress	1,521,066
Disposed of in the period	(20,223)
Transferred to property and equipment	(2,034,885)
Adjustment of lease liabilities remeasurement	(1,373,365)
Others	(2,238)
December 31, 2022	<u>\$ 192,827,191</u>

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2021	\$ 173,733,937	\$ 50,002,166
Recognised in profit or loss (Note 1)	31,678 (	865,785)
Recognised in other comprehensive income (Note 2)	24,959,076 (	2,371,418)
Acquired in the period	63,265,550	7,624,531
Disposed of in the period and others	(52,622,101) (	12,216,123)
Transferred into Level 3	(1,663,696)	-
December 31, 2021	<u>\$ 207,704,444</u>	<u>\$ 42,173,371</u>
	<u>Investment property</u>	
January 1, 2021	\$ 192,137,178	
Recognised in profit or loss (Note 1)	(789,301)	
Acquired in the period	2,942,761	
Disposed of in the period	(263,811)	
Adjustment of lease liabilities remeasurement	14,921	
Others	(374,168)	
December 31, 2021	<u>\$ 193,667,580</u>	

Note 1: The amount of loss for the reporting period relating to those assets and liabilities held at the end of 2022 and 2021 are \$35,687 and \$1,547,762, respectively.

Note 2: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

- (d) The valuation for financial instruments categorised as Level 3 by the Consolidated Company is valued with an independent source of information to approximate current market condition, which the source is ensured to be reasonable by confirming the independence, accountability, whether it is in line with other information and whether it represents the executable prices. The result of valuation is also ensured by periodically calibrating valuation models, updating inputs of models and making fair value adjustments if necessary. The Consolidated Company's policy of fair value measurement for financial instruments and valuation procedures are formulated with reference to IFRSs and consideration of practical operation. The appraisal of investment property would be done by appointed external appraisers according to the valuation approach and parameter assumptions released by the Financial Supervisory Commission.

(e) The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement, please refer to Note 6(9) for the investment property.

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 154,308,264	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,458,134	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	54,144,791	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	209,174	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	6,197,500	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	26,248,217	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Foreign government bonds	2,107,422	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,696,435	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
Private fund	\$ 139,977,058	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,478,815	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	43,139,847	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	263,441	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	1,350,388	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	25,480,451	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Foreign government bonds	3,912,565	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	33,275,250	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

Note: Due to no quoted prices in active markets, the counterparty quotes were considered while the relationship between significant unobservable input data and fair value cannot be fully controlled in practice. Therefore, no additional qualitative information on the fair value of the Consolidated Company's investments in debt instruments classified as Level 3 was disclosed.

- (f) Sensitivity analysis of the fair value of financial assets and financial liabilities classified as Level 3

The fair value measurement that the Consolidated Company made onto the financial instruments is deemed reasonable. For those financial instruments which are classified in Level 3 and not valued by the Consolidated Company, the relationship between the significant unobservable inputs and fair value can not be completely obtained in practice, therefore, no sensitivity analysis of possible alternative assumptions will be implemented. For those financial instruments which are evaluated by the Consolidated Company, if the movement of valuation or parameter increases or decreases by 1%, the effects to profit or loss for the year or other comprehensive income are as follows:

December 31, 2022				
Increase by 1%			Decrease by 1%	
	Effect on	Effect on other	Effect on	Effect on other
	profit or loss	comprehensive income	profit or loss	comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 2,109,112	\$ -	(\$ 2,109,112)
Financial assets at fair value through other comprehensive income	-	2,457	-	(2,457)

December 31, 2021				
Increase by 1%			Decrease by 1%	
	Effect on	Effect on other	Effect on	Effect on other
	profit or loss	comprehensive income	profit or loss	comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 1,855,957	\$ -	(\$ 1,855,957)
Financial assets at fair value through other comprehensive income	-	3,072	-	(3,072)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

12. RISK MANAGEMENT

The Consolidated Company, based on ERM Guideline established Risk Management Policy as a guidance for the Consolidated Company's solid risk management mechanism and practices to ensure capital adequacy, solvency, and stronger business development.

(1) Goals, Policies, and Procedures of Risk Management

A. The risk management responsibilities across different units are:

(a) Board of Directors (BoD)

The BoD is the highest authority and is ultimately responsible for the Company's risk

management. According to the Consolidated Company's business strategy and other economic factors, the BoD approves the Risk Management Policy, reviews risk appetite annually, supervises the effectiveness of risk management mechanism, and makes necessary adjustments. To facilitate effective risk management, the BoD authorises Risk Management Committee to approve risk limits and Risk Management Department to handle the risk limit violations.

(b) Risk Management Committee (RMC)

RMC, established under "RMC Charter", is affiliated to the Board of Directors and chaired by an independent director to coordinate the risk management affairs of the Company.

(c) Risk Management Department (RMD)

RMD is to assist in drafting and carry out the Risk Management Policy and risk appetite approved by the BoD, as well as the risk limits approved by RMC. In the meantime, RMD is to coordinate and monitor risk management practices and execution of risk management policy and risk limits through information provided by business units.

(d) Business Units

I. The risk management responsibilities of business unit heads are as follows:

- (i) Management and reporting of the unit in charge. Take remedial actions when necessary.
- (ii) Supervise to provide the risk management related information to RMD periodically.

II. The risk management responsibilities of business units are as follows:

- (i) Identify risks and report risk exposures.
- (ii) Measure risk impacts (quantitatively or qualitatively) and communicate in timely and proper manner.
- (iii) Review and ensure operating within risk limits.
- (iv) Monitor and report limit breaches (including taken mitigation)
- (v) Facilitate risk management model development to ensure the related measures, models, and assumptions are applied on a reasonable and consistent basis.
- (vi) Effectively implement internal controls to comply with regulations and Risk Management Policies.
- (vii) Assist collecting operational risk information.

(e) Internal Audit Department (IAD)

Based on current regulations, IAD conduct audits on risk management practices of business units of the Company.

B. Scopes and characteristics of risk management:

The risk appetite, risk limit, market risk, credit risk, liquidity risk, operational risk, insurance risk and assets liability matching risk are in accordance with risk management strategy set by the Board of Directors. The Consolidated Company establishes related managing measures covering applicable areas, measurements and reporting method.

(a) Risks appetite and risk limit

Considering business strategies, business objectives, business growth, risks and returns, the Consolidated Company adopts capital adequacy and credit ranking as the basis of its risk appetite, which requires Risk Based Capital (RBC) ratio to be maintained above 250% for the Company, 270% for early warning threshold, 300% for the Subsidiary, the net worth ratio of the Company shall be maintained above 4%, and using international credit ranking (S&P BBB+ or the same ranking) as the standard. Risk limits are set up with reference to the characteristics of the Consolidated Company's risk and the risk

appetite.

(b) Market risk

Market risk refers to the risk that asset values might decrease and cause losses within a certain period of time because of the changes of the market prices. The market risk management mechanism of the Consolidated Company includes major asset control regulation, risk measurement method, risk limit and authorisation, and breach limit handling procedure.

(c) Credit risk

Credit risk means the risk of loss from debt obligator or counterparty's default as their financial status worsened or for other reasons and fails to honor the contract obligations.

(d) Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due, or because the depth of the market is insufficient, when dealt or offset holding positions, significant market price movement caused the risk to increase.

I. Fund liquidity risk management mechanism

(i) The business unit with process engaging liquidity risk should follow the Liquidity Risk Management Policy to incorporate or modify liquidity risk management mechanism in its internal control procedure to maintain the safety of fund usage.

(ii) Funding unit should be independent from trading unit, should perform daily cash management and continuous cash flow management and be responsible to monitor the cash flow of each business unit.

(iii) For fund liquidity, not only domestic short-term but also cross country or cross market funding should be considered.

(iv) Apply cash flow model to evaluate and monitor the change in mid-term and long-term liability cash flows.

II. Market liquidity risk management mechanism

(i) Consider the fitness of market trading volume and holding positions.

(ii) Consider the significant impact to market price caused by block trade and should be cautiously managed.

(e) Operational risk

Operational risk includes the risk of direct or indirect loss caused by external events or internal process, human and system failures. It includes legal risk, money laundering and financing terrorism risk and continuous operation management, etc., but excludes strategic and reputation risk.

Through risk identification, assessment, response, monitoring, information communication and documentation, the Consolidated Company allocates limited resources effectively to enhance its operational risk management.

(f) Asset liability matching (ALM) risk

ALM risk refers to risks arising from inconsistent asset and liability price movements. The Consolidated Company periodically monitors the expected cash flow of assets and liabilities in order to effectively manage ALM risk.

(2) Insurance Risk

Life insurance

Insurance risk refers to losses due to unexpected changes upon claim and expense payments to insured.

A. The scope of insurance risk

(a) Product design and pricing risk

This risk is caused by data inappropriateness, inconsistency or unexpected changes in product design, policy clauses, and pricing.

(b) Reinsurance risk

Risks that a company is unable to cede those risks in excess of their proposed retention or unable to recover ceded risks from reinsurers such as unearned reinsurance premium, claim recovery, etc.

(c) Underwriting risk

Underwriting risk refers to unexpected losses incurred from soliciting and underwriting processes.

(d) Catastrophic risk

Risk that is caused by a Catastrophe event that aggregate damage amount is severe that it may result in a downgrade or even insolvency of the company.

(e) Reserve related risk

This risk refers to insufficient reserves to honor future insurance obligation due to underestimating insurance contract liabilities.

B. The insurance risk management policy, process and approach

(a) Underwriting policies to ensure adequate risk classification and premium level

I. Our underwriters review each insurance cases based on underwriting policies and procedures with fair and objective standards. To protect interests of our clients and the safety of the Consolidated Company's operation, information of policyholder and insured such as basic information, insurance interests, financial and health condition, occupation are thoroughly reviewed and the insurance purposes, coverage, and premium reasonableness are considered during underwriting processes.

II. Based on "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" and related regulations, underwriting staffs are properly trained and supervised. Related approval authority is granted according to staffs' experiences, capability, professional levels to ensure the underwriting quality and efficiency.

III. The Consolidated Company has guidance for controversial cases and task force for large coverage cases for timely risk control.

(b) Procedures for taking, measuring, monitoring, and controlling insurance risks:

I. Risk identification

Identify the potential insurance risks under business operation.

II. Risk assessment

Use quantitative measurements or qualitative analysis to identify the main causes and potential impact of risks, and then compare to risk appetite or risk limits for prioritizing subsequent insurance risk controls and responses.

III. Risk response

Consider risk assessment results and take appropriate responses such as risk averse, transfer, control, and acceptance.

IV. Risk monitoring

Monitor under appropriate frequency, and report risk limit utilisation with escalation as needed. For major risk events, special reporting procedure is enacted to address events in a timely manner. In addition, review the effectiveness of existing risk management mechanism to update with the changes in operating targets, risk exposures and business environment.

- (c) Approaches to limit or transfer insurance risk exposure and to avoid over-concentration: To transfer insurance risk exposure and avoid over-concentration, the primary approach is through our reinsurance plan, which set the maximum accumulation limit per incident after considering risk nature and the Consolidated Company's risk-taking ability.

C. Insurance risks assessment and management

Insurance risks refer to the probability of occurrence of insured events, and the uncertainty of the Consolidated Company possessing adequate assets to meet future obligations prescribed in the insurance contract. By individual insurance policy, such risks are random and unpredictable.

For insurance contracts, the Consolidated Company has to bear the risks of adverse mortality, morbidity, expense, and withdrawal experiences as well as the uncertainty of investment returns arising from invested premium income. Depending on the nature of the contract, uncertainties related to the occurrence, amount and timing of insurance contract liabilities may be considered as the inherent risks of an insurance policy. The Consolidated Company sells predominantly life insurance, accident and health (A&H) insurance and annuity insurance products. The most significant insurance risk factor for life and A&H insurance products, which cover the risks of mortality, accidents and diseases, is the actual claims exceed the carrying amount of the insurance reserves; that is, the actual compensation or benefit payments surpass the original expected amounts in terms of frequency and severity of the insured events. Furthermore, the Consolidated Company has to bear the losses ensuing from natural and man-made catastrophic events. The frequency and severity of such catastrophic events and the resultant losses are unpredictable. On the other hand, the most important insurance risk factor for annuity insurance products, which cover the risk of survivorship, is the prolonged life expectancy as a consequence of the continual medical improvement.

Insurance risk also arises from the policyholders' decision to reduce sum assured, discontinue premium payment, or terminate the policy. Thus, the insurance risk exposure are also affected by the policyholders' behaviors. Assuming policyholders could make rational decisions, then the overall insurance risks may increase due to their rational behaviors. For instance, policyholders who maintain good health will be more likely to terminate their life or health insurance policies than those whose health has deteriorated. As a result, the expected mortality rate will increase if such voluntary terminations decrease the overall number of insurance policies.

The Consolidated Company has established product development, pricing and underwriting strategies to undertake the diverse types of insurance risks. In addition, the variability of the expected outcome within the scope of each risk factor has been lowered by underwriting a sufficient number of insured lives. By issuing a large number and a mixture of product types, the life insurance risk could be managed. Furthermore, the Consolidated Company transfers part of the risk to reinsurers via catastrophic reinsurance coverage to mitigate the overall risk of future claims and significant financial losses due to disasters.

D. Asset liability management methodology

The Consolidated Company has enacted asset liability management mechanism, which

utilises duration and cash flow testing approaches to monitor periodically and adjust our portfolios accordingly.

E. Concentration of insurance risk

As the Consolidated Company operates purely within the boundary of Taiwan, it is subject to the geographical concentration risk, which is mainly managed through reinsurance. Though long-term traditional insurance products constitute the majority of the in-force portfolio of policies, the Consolidated Company continues to provide various new business in terms of characteristics, timing and risks to achieve the objective of risk diversification.

F. Insurance risk sensitivities – insurance contracts

In general, the statutory reserves of the insurance contracts issued by the Consolidated Company should be based upon the lock-in principle, that is, the provision of future liabilities is predetermined upon the policy issuance. Hence, the reserve will not fluctuate with future experience unless the liability adequacy test (LAT) shows that it is insufficient. The Consolidated Company will perform LAT on its insurance policies to assess the overall adequacy of liabilities on the book, taking into consideration the current information as at the time of evaluation when setting the assumptions, such as mortality and morbidity rates, withdrawal rate, expense ratios, discount rates, etc and calculate actual estimated amount of cash flows. In the event that the test result shows that the value of liabilities is inadequate, the shortfall will be recognised as an expense loss in the current period.

With respect to the insurance portfolio of the Consolidated Company as of December 31, 2022, and 2021, the liabilities will still be adequate even when the mortality, morbidity, withdrawal rates and expense ratios assumptions adversely change by 10% or new investment returns drop by 25 basis points.

G. Credit risk, liquidity risk and market risk of the insurance contracts

(a) Credit risk

It refers primarily to the risk of a reinsurer's failure to fulfill its obligations on the ceded business. To manage this risk, the Consolidated Company will foremost consider the distribution to different reinsurers to mitigate the concentration risk. The reinsurers will be selected prudently in accordance to the reinsurance risk management plan as set out by the Consolidated Company. To mitigate the credit risk, the reinsurance agreement will require that reinsurance fees be paid on a net basis, after deducting receivables. In addition, the Consolidated Company will demand the inclusion of a special termination clause in the reinsurance agreement, allowing the Consolidated Company the right to terminate the agreement in the circumstances that the reinsurer defaults on its obligations to limit further credit risk.

The Consolidated Company will review the credit rating of the reinsurers regularly in accordance with its reinsurance risk management plan. In the event of a credit rating downgrade of a reinsurer such that it fails to meet the minimum requirement of being an eligible reinsurer as stipulated by the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", the Consolidated Company will establish a reinsurance reserve as required to mitigate the adverse impacts from the downgraded reinsurer.

Currently, the credit ratings of all the reinsurance counterparties of the Consolidated Company have met the eligibility standard as stipulated by the regulation.

(b) Liquidity risk

The liquidity risk of the insurance contract arises mainly from the failure of the Consolidated Company to realise the assets or to obtain sufficient funding in time to fulfill its obligations on insurance benefits payment. To manage the risk, the Consolidated Company will analyse the maturity dates of the insurance policies regularly, and review the matching of assets and liabilities.

The table below shows the net liability cash flow analysis of the insurance portfolio of the Consolidated Company by maturity date. The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future point of time. The future actual amounts may vary as the actual experience may be different from the expected experience.

Net cash flows used in (provided by) the insurance contracts:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Under 1 year	\$ 51,779,850	\$ 26,227,104
1 ~ 3 years	189,305,218	168,007,684
Over 3 years	10,095,722,443	10,124,681,662
	<u>\$ 10,336,807,511</u>	<u>\$ 10,318,916,450</u>

The Consolidated Company has insurance contracts that are classified as liabilities on insurance products - separate account. However, such liabilities are repaid based on investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

(c) Market risk

The Consolidated Company establishes statutory reserves in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and related regulations issued by the Authority. As the reserving interest rate and incidence rates are pre-determined as at policy issuance, the statutory reserves will not change with market interest rates fluctuations. The regulator will regularly review the reserving interest rate assumption, which however may not necessarily correspond to the market risk factors (e.g. market interest rate) in terms of timing, amount or direction, and it is only applicable to the new policies. Therefore, the impact of probable changes in market risks on the statutory reserves of the in-force portfolio is negligible. In case the regulator changes the reserving interest rate assumptions, its impact on profit/loss or equity will vary depending on the magnitude of the change and the overall product composition of the Consolidated Company. Furthermore, reasonable and probable variations in market risks may affect the liability adequacy test, which requires the estimation of future cash flows for insurance contracts and investment contracts with discretionary participation features to be based on the current information as at the valuation date when assessing the adequacy of reserves. Please refer to the insurance risk sensitivity analysis for the impact of market risk factors on the reserve adequacy of the Consolidated Company.

- H. The derivatives issued by the Consolidated Company which are embedded in the insurance contract and not measured at fair value are primarily those with policyholder's option to surrender the contract at cash value. The market risk for these contracts arises from the lower overall company investment yield than the average pricing interest rate.

Property insurance

Insurance risk covering the risks transferred from insured arises from unexpected loss. The Consolidated Company needs to reimburse claims payment and related expenses to the insured by the terms stated in the insurance contract if any after receiving premium from the insured.

A. Policy, procedure and method of insurance risk management

- (a) Product design and pricing risk: regarding the control of product design and pricing risk, other than through risk transfer plan, consideration of safe parameter with actuary assumption and after-sale tracking. Risks resulting from inappropriate product contents, misuse of terms, pricing rates, inconsistency or unexpected changes are measured based on types and characteristics of products. Based on the characteristics of each product, the Consolidated Company can control the risks by risk transferring plan, actuarial risk margin to the rate and tracking of policy experience.
- (b) Underwriting risk: to lower unexpected loss risks from writing businesses, the Consolidated Company has set up appropriate underwriting system and procedure, including underwriting manual and guidelines. Furthermore, the Consolidated Company established Key Risk Indicators for underwriting risk.
- (c) Reinsurance risk: in consideration of capacity, the Consolidated Company sets up limits for each risk unit and each accident, arrange reinsurance for those risks in excess of retention. Also, in order to lower the risks of not being able to collect premium, claims or other expenses due to the reinsurers' default, the Consolidated Company evaluates reinsurers' credit ratings regularly.
- (d) Catastrophe risk: the Consolidated Company identifies catastrophic risk by product nature and evaluates PML through risk models and scenarios analysis and also take accumulation effects and correlation among risks into consideration.
- (e) Claim risk: the Consolidated Company has set up appropriate internal claim procedures to lower the risk resulting from inappropriate operation or negligence.
- (f) Reserve related risk: the Consolidated Company tracks and examines the reserve amounts in each year's AA reports to analyse the adequacy of reserves in order to lower the risk from underestimating the reserve to fulfill future contract obligation.

B. Management method of assets and liabilities

When identifying assets and liabilities matching risks, the main consideration includes market risk from market price fluctuation, liquidity risk from insufficient cash, liquid assets to fulfill insurance payment and insurance risk arises from loss of unexpected catastrophe, causing the cash flow of assets and liabilities to be unmatched. In order to effectively identify, measure and respond to the abovementioned assets and liabilities matching risks, subsidiaries set up appropriate management mechanisms and through the simulation of changes in cash flow and monitoring the assets and liabilities to decrease the possible risk that may be derived.

C. Illustration about the insurance risk concentration

The risk of insurance contracts accepted by the Consolidated Company are scattered across all types of insurance and only the car insurance business bear a higher concentration of risk. Nevertheless, the risk does not change significantly given stable experience in the loss of car insurance and risk aversion through ceding reinsurance. As for other types of insurance, there is no such risk concentration.

The insurance risk concentration of the premium revenue from direct underwriting and retained premium earned accrued by the Consolidated Company's car insurance is listed below: (excluding compulsory insurance)

2022		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 3,865,571	\$ 2,049,131
2021		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 3,446,545	\$ 1,663,781

D. Sensitivity analysis of insurance risk

The Consolidated Company estimates claims provisions mainly through loss development model and the expected loss rate to each type of insurance. Given that the estimates will be affected by the amendment to the laws, changes in the method of claims payment or future prospect, therefore, the Consolidated Company conducted sensitivity analysis of insurance risk using expected loss rate.

On the basis of one-year retention earned premium income, as of December 31, 2022 and 2021, the profit or loss of the Consolidated Company was barely affected by 5% increase in the calculated final rate of loss.

E. Credit risk, liquidity risk and market risk of insurance contracts

(a) Credit risk

Credit risk of insurance contracts mainly arises from default by the reinsurers on their obligations under reinsurance contract leading to the risk of failure to fulfill obligations from various insurance contract liabilities. The Consolidated Company's selection of reinsurers and monitoring of credits follow the standard of the reinsurance management plan. The Consolidated Company carefully chooses reinsurance counterparties and pays close attention to information about reinsurance market in order to minimise the credit risk.

(b) Liquidity risk

Liquidity risk of insurance contract mainly happens when a Company is unable to realise assets immediately or acquire adequate capital leading to the risk of failure to fulfill obligations from various insurance contract liabilities. To ensure the instantaneity of liquidity risk management, except for regular review toward the matching of assets and liabilities, the Consolidated Company also performs cash flow analysis for the insurance business and its investments and separately reviews revenue and expenditures from the insurance industry and investment. A table of cash flow estimation is also created and used as a basis for fund procurement in order to cope with needs for various fund liquidity. Besides, the Consolidated Company's working capital is sufficient for liquidity requirements, therefore there is no liquidity risk regarding inability to raise funds for meeting contractual obligations.

As of the end of all periods presented in the financial statements, cash flows of claims reserve of the Consolidated Company are shown in the table below:

<u>December 31, 2022</u>	<u>Book value</u>	<u>Contractual undiscounted cash flows</u>	
		<u>Not later than 1 year</u>	<u>Later than 1 year but not later than 5 years</u>
Claim reserve	\$ 3,057,846	\$ 2,738,103	\$ 319,743

<u>December 31, 2021</u>	<u>Book value</u>	<u>Contractual undiscounted cash flows</u>	
		<u>Not later than 1 year</u>	<u>Later than 1 year but not later than 5 years</u>
Claim reserve	\$ 2,294,616	\$ 2,041,373	\$ 253,243

(c) Market risk

Market risk of insurance contract mainly refers to the risk arising from inability to respond timely to movements in the insurance market. Not only does the Consolidated Company have a department for providing information about the insurance market, the Consolidated Company will also transmit the latest information to each branch unit of the Consolidated Company via e-mail or internal network from time to time in order to know firsthand information about the insurance market well. Thus, there is no risk arising from inability to respond to movements in the insurance market.

Apart from the unearned premium reserve of long-term fire insurance calculated in accordance with the factor table announced by the authority, the Consolidated Company calculates and sets aside statutory reserves without discount rate usage in accordance with the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and relevant regulations. Therefore, the statutory reserves will not change with market interest rate fluctuations.

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F. Claim development trend

The accumulated claim development trend in the past years refer to the development trend of listed claims. Each accident year refers to the year of insured accident happened; the horizontal rows represent development year of the accidents and the diagonal lines represent the accumulated reported claims of each accident year. The incurred claims here include unsettled and settled claims which explain how the Consolidated Company calculates each accident year's claims over time.

(a) Claim development pattern of the Consolidated Company's direct business

The following tables are the reconciliation between the Consolidated Company's accumulated claim and the claim reserve on the balance sheet of the end of reporting periods.

December 31, 2022										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2013	\$ 30,604,443	\$ 30,968,169	\$ 30,910,278	\$ 30,280,920	\$ 30,275,255	\$ 30,273,150	\$ 30,273,975	\$ 30,272,117	\$ 30,272,270	\$ 30,272,167
2014	880,238	1,002,979	992,946	1,000,054	1,000,810	1,001,261	1,001,474	1,001,508	1,001,533	
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332		
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734			
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220				
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458					
2019	2,427,669	2,692,854	2,700,442	2,670,217						
2020	2,753,598	3,042,918	3,101,185							
2021	2,564,836	2,908,470								
2022	4,990,262									
(1)Accumulated Reported claims of direct business										50,665,578
(2)Accumulated Paid claims of direct business										49,059,343
(3)Reported But Not Paid claim reserve of direct business										1,606,235
(4)Not reported claim reserve of direct business										1,250,640
(5)Assumed claim reserve										200,971
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,057,846

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2022.

December 31, 2021										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2012	\$ 29,647,318	\$ 29,738,146	\$ 30,015,850	\$ 29,922,059	\$ 29,312,768	\$ 29,308,450	\$ 29,305,997	\$ 29,306,591	\$ 29,305,150	\$ 29,305,303
2013	866,297	952,319	988,220	968,152	966,805	967,154	967,384	966,967	966,967	
2014	880,238	1,002,979	992,946	1,000,054	1,000,810	1,001,261	1,001,474	1,001,508		
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429			
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734				
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629					
2018	1,749,381	2,043,103	2,088,478	2,093,736						
2019	2,427,669	2,692,854	2,700,442							
2020	2,753,598	3,042,918								
2021	2,564,836									
(1)Accumulated Reported claims of direct business										45,304,502
(2)Accumulated Paid claims of direct business										44,075,559
(3)Reported But Not Paid claim reserve of direct business										1,228,943
(4)Not reported claim reserve of direct business										880,462
(5)Assumed claim reserve										185,211
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 2,294,616

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2021.

(b) Claim development pattern of the Consolidated Company's retention business

The following tables are the claim development pattern as of the end of reporting periods:

December 31, 2022										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2013	\$ 20,409,353	\$ 20,737,260	\$ 20,823,145	\$ 20,416,989	\$ 20,410,214	\$ 20,408,858	\$ 20,409,297	\$ 20,409,219	\$ 20,409,311	\$ 20,409,249
2014	806,949	1,274,153	981,498	987,419	990,317	990,432	990,595	990,630	990,655	
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295		
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792			
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351				
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123					
2019	1,383,181	1,608,308	1,668,026	1,659,799						
2020	1,467,417	1,707,557	1,732,303							
2021	1,435,037	1,580,008								
2022	3,754,820									
(1)Accumulated Reported claims of retention business										34,594,395
(2)Accumulated Paid claims of retention business										33,720,508
(3)Reported But Not Paid claim reserve of retention business										873,887
(4)Not reported claim reserve of retention business										926,949
(5)Claim reserve of retention business=(3)+(4)										\$ 1,800,836

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2022.

December 31, 2021										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2012	\$ 19,493,819	\$ 19,666,273	\$ 19,885,603	\$ 19,917,670	\$ 19,511,151	\$ 19,507,006	\$ 19,505,442	\$ 19,505,760	\$ 19,505,961	\$ 19,506,053
2013	743,080	851,657	905,475	905,838	903,209	903,415	903,538	903,258	903,258	
2014	806,949	1,274,153	981,498	987,419	990,317	990,432	990,595	990,630		
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392			
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,793				
2017	780,139	924,600	1,010,526	1,026,422	1,025,382					
2018	990,722	1,210,946	1,292,387	1,303,982						
2019	1,383,181	1,608,308	1,668,027							
2020	1,467,417	1,707,558								
2021	1,435,037									
(1)Accumulated Reported claims of retention business										30,679,112
(2)Accumulated Paid claims of retention business										30,041,384
(3)Reported But Not Paid claim reserve of retention business										637,728
(4)Not reported claim reserve of retention business										596,966
(5)Claim reserve of retention business=(3)+(4)										\$ 1,234,694

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2021.

(3) Financial risk

Financial risk is the risk when future cash flows are insufficient to pay for insurance contract and investment contract. The Consolidated Company establishes the risk management mechanism and control system for the financial assets, to effectively identify, measure, respond and monitor the Consolidated Company's exposure risks, including credit risk, liquidity risk, market risk, operational risk, etc.

The Consolidated Company undertakes derivative financial instruments such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps. The primary purpose is to avoid the exchange rate risk and the interest rate risk from investments. To effectively monitor and control the financial risk, the management considers the changes in the economic environment and the competition of market and adopts different strategies against different financial risks as follows:

A. Credit risk

Credit risk refers to the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations. As for the securities investment, the Consolidated Company adopts the credit ratings and research reports issued by the external credit rating agencies and public information about the counterparties and issuers with referring to relevant information in the market at the same time. Moreover, the Consolidated Company measures the upper limit for investment in a single issuer and controls the credit risks of the underlying securities, the issuers, and the counterparties so that the credit risks faced by the Consolidated Company can be effectively mitigated. In addition, the Consolidated Company established credit exposure ratio in relation to country and industry to avoid high concentration of credit exposure. For loan business, the Consolidated Company stipulates regulations on credit checking for implementing thorough credit assessment aiming to ensure that the transactional counterparty meets loan standard and provides adequate collaterals and effectively reduce the credit risk.

(a) The Consolidated Company adopts following assumptions to assess whether the credit risk on that instrument has significantly increased since initial recognition:

I. Receivables, loans and other financial assets at amortised cost (excluding interest receivables from bonds):

- (i) If the contract payments were overdue for more than 30 days based on the terms, the credit risk of that instrument would be regarded as having significantly increased since initial recognition.
- (ii) According to the internal and external information, the Consolidated Company identified that there has been a significant increase in credit risk based on its professional judgement on credit risk and the relative historical experience.

II. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

- (i) If those debt instruments that have been rated as investment grade by any of external credit rating agencies at the balance sheet date, the credit risk on these financial assets is considered as low. The Consolidated Company assumes that there has no significant increase in credit risk on the investment objects since initial recognition.
- (ii) If those debt instruments that have been rated as non-investment grade, and the credit rating have been downgraded for more than 3 notches (including 3 notches) since initial recognition, then there has a significant increase in credit risk on the investment objects.

- (iii) If those debt instruments that have been rated as non-investment grade, and the percentage of unrealised valuation loss on those debt investments is more than 50% of their carrying amount for three consecutive months as of the balance sheet date, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.
- (b) The definition of the default of financial assets made by the Consolidated Company is consistent with the judgements, which are used to assess whether the credit of financial assets were impaired. If one or several of the followings unfavorable effects incurred, the credit of financial assets is considered as impaired:
 - I. Significant financial difficulty of the issuer or obligor; or
 - II. Default or delinquency in interest or principal repayments; The Consolidated Company adopts the premise under IFRS 9, the default occurs when the contract payments (excluding bond investments) are overdue for more than 90 days.
 - III. The obligee, for economic or contractual reasons relating to the obligor's financial difficulty, granted the obligor a concession that an obligee would not otherwise consider;
 - IV. It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
 - V. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - VI. Others.
- (c) Measurement of expected credit loss

The Consolidated Company measures the 12-month probability of default for financial instruments that the credit risk has not significantly increased since initial recognition. While for those that the credit risk has significantly increased or credit impairment has occurred since initial recognition, the lifetime probability of default would be measured. The expected credit losses would then be calculated respectively with the multiplication of loss given default, the probability of default mentioned above, and the exposure default while taking the time value of money and forward-looking adjustments into consideration.

 - I. Receivables (excluding interest receivables from bonds and interest receivable from loans) and other financial assets at amortised cost:

The loss given default is assessed based on the internal historical data. In addition, the Consolidated Company weighted the average of probability of default for the past 3 years and takes into consideration the forecast of overseas and domestic economic data in order to measure the predicted 12-month probability of default. Furthermore, since the lifetime of the Consolidated Company's receivables usually is within 12 months, the lifetime probability of default is consistent with the 12-month probability of default. Exposure at default is measured based on the carrying amount of receivables.
 - II. Loans (including interest receivable from loans):

The Consolidated Company established the 3-year average transition matrix based on the historical information of secured loans and takes into consideration the forward-looking economic variables to measure the predicted 12-month probability of default, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. The Consolidated Company calculates loss given default with discounted cash flows using the effective-interest-rate method, according to both the location of collaterals and the historical recovery rate of secured loans. Exposure at default is measured based on the principle and the carrying amount of interest receivable.

III. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

The Consolidated Company measures the predicted 12-month probability of default using the historical probability of default regularly issued by the international credit rating agencies, which will be adjusted by forward-looking information such as the observable macroeconomics forecast, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. Loss given default is measured based on the historical probability of default regularly issued by the international credit rating agencies, and exposure at default is measured based on the amortised cost of financial instruments.

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(d) Movements in the Consolidated Company's allowance for credit loss for receivables (excluding bond interest receivable and loan interest receivable) are as follows:

	2022				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 38,638	\$ -	\$ 71,339	\$ 849	\$ 110,826
Recovery of account receivable at current period	(5,708)	-	(42)	2	(5,748)
Write-offs - lease payments receivable	-	-	(169)	-	(169)
Write-offs - other	-	-	(23,393)	-	(23,393)
Changes in risk parameters	8,825	-	-	-	8,825
Changes in exchange	-	-	26	-	26
At December 31	<u>\$ 41,755</u>	<u>\$ -</u>	<u>\$ 47,761</u>	<u>\$ 851</u>	<u>\$ 90,367</u>

	2021				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 29,057	\$ -	\$ 71,352	\$ 757	\$ 101,166
Provision of account receivable at current period	1,065	-	5,915	92	7,072
Write-offs - lease payments receivable	-	-	(5,905)	-	(5,905)
Write-offs - other	-	-	(23)	-	(23)
Changes in risk parameters	8,516	-	-	-	8,516
At December 31	<u>\$ 38,638</u>	<u>\$ -</u>	<u>\$ 71,339</u>	<u>\$ 849</u>	<u>\$ 110,826</u>

(e) Movements in the Consolidated Company's allowance for credit loss for loans are as follows:

	2022				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 274	\$ 685	\$ 3,751	\$ 281,528	\$ 286,238
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	316	(316)	-	-	-
-Derecognition of financial assets at current period	(72)	(183)	(2,142)	-	(2,397)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(57,162)	(57,162)
Changes in risk parameters	(491)	117	32	-	(342)
At December 31	<u>\$ 27</u>	<u>\$ 303</u>	<u>\$ 1,641</u>	<u>\$ 224,366</u>	<u>\$ 226,337</u>

	2021				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 566	\$ 375	\$ 4,571	\$ 345,006	\$ 350,518
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	104	(92)	(12)	-	-
-Transfer to significant increase in credit risk	(6)	6	-	-	-
-Transfer to credit impaired financial assets	-	(16)	16	-	-
-Derecognition of financial assets at current period	(120)	(83)	(977)	-	(1,180)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	-	(63,478)	(63,478)
Changes in risk parameters	(270)	495	153	-	378
At December 31	<u>\$ 274</u>	<u>\$ 685</u>	<u>\$ 3,751</u>	<u>\$ 281,528</u>	<u>\$ 286,238</u>

(f) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at fair value through other comprehensive income are as follows:

	2022			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk	financial assets	
	(group assessment)			
At January 1	\$ 267,306	\$ 105,505	\$ -	\$ 372,811
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to credit impaired financial assets	(397)	-	397	-
-Derecognition of financial assets at current period	(19,427)	(28,413)	-	(47,840)
Originated or purchased new financial assets	3,498	-	-	3,498
Changes in risk parameters	(2,091)	(662)	2,323,674	2,320,921
Reclassification to financial assets at amortised cost	(269,160)	-	-	(269,160)
Changes in exchange and others	62,419	5,742	(704,356)	(636,195)
At December 31	<u>\$ 42,148</u>	<u>\$ 82,172</u>	<u>\$ 1,619,715</u>	<u>\$ 1,744,035</u>

	2021			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk	financial assets	
	(group assessment)			
At January 1	\$ 355,016	\$ 190,937	\$ -	\$ 545,953
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to 12-months expected credit loss	25,356 (	25,356)	-	-
-Derecognition of financial assets at current period	(139,329) (	4,492)	- (	143,821)
Originated or purchased new financial assets	75,125	-	-	75,125
Changes in risk parameters	(44,135) (	13,933)	- (	58,068)
Changes in exchange and others	(4,727) (	41,651)	- (	46,378)
At December 31	<u>\$ 267,306</u>	<u>\$ 105,505</u>	<u>\$ -</u>	<u>\$ 372,811</u>

(g) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at amortised cost are as follows:

	2022			
		Life time expected credit loss		
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk (group assessment)	financial assets	
At January 1	\$ 414,477	\$ 2,624,905	\$ -	\$ 3,039,382
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to significant increase in credit risk	(7,264)	7,264	-	-
-Derecognition of financial assets at current period	(26,510)	-	-	(26,510)
Originated or purchased new financial assets	21,477	-	-	21,477
Changes in risk parameters	(21,270)	2,431,257	1,569,528	3,979,515
Reclassification from financial assets at fair value through other comprehensive income	269,160	-	-	269,160
Changes in exchange and others	40,942	191,773	(434,412)	(201,697)
At December 31	<u>\$ 691,012</u>	<u>\$ 5,255,199</u>	<u>\$ 1,135,116</u>	<u>\$ 7,081,327</u>

	2021			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk	financial assets	
	(group assessment)			
At January 1	\$ 467,697	\$ 3,247,613	\$ -	\$ 3,715,310
Changes in financial instruments that have been identified at the beginning of year:				
-Transfer to 12-months expected credit loss	159,588 (	159,588)	-	-
-Derecognition of financial assets at current period	(46,432) (	183,901)	- (	230,333)
Originated or purchased new financial assets	35,381	-	-	35,381
Changes in risk parameters	(195,611) (	51,484)	- (	247,095)
Changes in exchange and others	(6,146) (	227,735)	- (	233,881)
At December 31	<u>\$ 414,477</u>	<u>\$ 2,624,905</u>	<u>\$ -</u>	<u>\$ 3,039,382</u>

- (h) The expected loss rate of the Consolidated Company's bond interest receivable, debt instrument investments at amortised cost and debt instrument investments at fair value through other comprehensive income are as follows:

December 31, 2022			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.39%	0.11%~1.17%	100%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.39%	5.00%~6.16%	6.77%~32.43%
Debt instrument investments at amortised cost	0.00%~0.22%	4.60%~14.34%	6.88%~12.99%
December 31, 2021			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%~0.40%	0.12%~0.22%	-
Debt instrument investments at fair value through other comprehensive income	0.00%~0.40%	1.47%~6.16%	-
Debt instrument investments at amortised cost	0.00%~0.22%	4.77%~6.43%	-

- (i) Information on credit risk rating in relation to the total carrying amount of various financial debt instruments and the maximum exposure to credit risk are as follows:

December 31, 2022					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 27,066,483	\$ -	\$ -	\$ 5,414	\$ 27,061,069
Group 2	722,774	1,196,078	225,237	234,766	1,909,323
	<u>\$ 27,789,257</u>	<u>\$ 1,196,078</u>	<u>\$ 225,237</u>	<u>\$ 240,180</u>	<u>\$ 28,970,392</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 248,050,493	\$ -	\$ -	\$ 34,840	\$ 248,015,653
Group 2	3,434,614	1,475,243	23,155,061	1,709,195	26,355,723
	<u>\$ 251,485,107</u>	<u>\$ 1,475,243</u>	<u>\$ 23,155,061</u>	<u>\$ 1,744,035</u>	<u>\$ 274,371,376</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,226,479,497	\$ -	\$ -	\$ 601,716	\$ 3,225,877,781
Group 2	41,212,221	52,993,877	12,053,631	6,479,611	99,780,118
	<u>\$ 3,267,691,718</u>	<u>\$ 52,993,877</u>	<u>\$ 12,053,631</u>	<u>\$ 7,081,327</u>	<u>\$ 3,325,657,899</u>

For the assessment of the expected credit loss of the Consolidated Company due to the Russian-Ukrainian conflict, please refer to Note 14(7).

December 31, 2021					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 24,671,922	\$ -	\$ -	\$ 5,150	\$ 24,666,772
Group 2	697,304	1,043,676	-	3,685	1,737,295
	<u>\$ 25,369,226</u>	<u>\$ 1,043,676</u>	<u>\$ -</u>	<u>\$ 8,835</u>	<u>\$ 26,404,067</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 1,398,189,864	\$ -	\$ -	\$ 209,308	\$ 1,397,980,556
Group 2	26,762,452	2,040,223	-	163,503	28,639,172
	<u>\$ 1,424,952,316</u>	<u>\$ 2,040,223</u>	<u>\$ -</u>	<u>\$ 372,811</u>	<u>\$ 1,426,619,728</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 1,738,127,509	\$ -	\$ -	\$ 380,420	\$ 1,737,747,089
Group 2	15,806,299	44,578,977	-	2,658,962	57,726,314
	<u>\$ 1,753,933,808</u>	<u>\$ 44,578,977</u>	<u>\$ -</u>	<u>\$ 3,039,382</u>	<u>\$ 1,795,473,403</u>
Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.					
Group 2: Others.					
Note: Including statutory deposits.					

- (j) Information on credit risk rating in relation to the total carrying amount of receivables and loans and the maximum exposure to credit risk are as follows:

December 31, 2022					
	Life time expected credit loss		Credit impaired financial assets	Allowance for credit loss	Maximum credit risk exposure amount
	12-months expected credit loss	Significant increase in credit risk			
Receivables					
Notes receivable	\$ 1,333,807	\$ -	\$ -	\$ 10,637	\$ 1,323,170
Premiums receivable (Note)	194,790	-	47,624	4,637	237,777
Interest receivable-bonds	27,789,257	1,196,078	225,237	240,180	28,970,392
Interest receivable-loans	7,292,879	130	37	214	7,292,832
Interest receivable-others	53,404	-	-	-	53,404
Investment receivable	14,862,171	-	-	-	14,862,171
Other receivables-lease payments receivable (Note)	1,334,750	-	4,059	29,969	1,308,840
Other receivables-others (Note)	2,341,592	-	39,752	45,124	2,336,220
	<u>\$ 55,202,650</u>	<u>\$ 1,196,208</u>	<u>\$ 316,709</u>	<u>\$ 330,761</u>	<u>\$ 56,384,806</u>
Loans	<u>\$ 114,014,035</u>	<u>\$ 112,880</u>	<u>\$ 22,871</u>	<u>\$ 226,337</u>	<u>\$ 113,923,449</u>

Note : Including overdue receivable.

December 31, 2021

	Life time expected credit loss				
	12-months expected credit loss	Significant increase in credit risk	Credit impaired financial assets	Allowance for credit loss	Maximum credit risk exposure amount
Receivables					
Notes receivable	\$ 829,922	\$ -	\$ -	\$ 12,353	\$ 817,569
Premiums receivable (Note)	182,503	-	13,282	1,670	194,115
Interest receivable-bonds	25,369,226	1,043,676	-	8,835	26,404,067
Interest receivable-loans	7,416,989	255	58	190	7,417,112
Interest receivable-others	14,517	-	-	-	14,517
Investment receivable	22,615,242	-	-	-	22,615,242
Other receivables-lease payments receivable (Note)	1,486,460	-	10,174	32,914	1,463,720
Other receivables-others (Note)	2,311,364	-	60,179	63,889	2,307,654
	<u>\$ 60,226,223</u>	<u>\$ 1,043,931</u>	<u>\$ 83,693</u>	<u>\$ 119,851</u>	<u>\$ 61,233,996</u>
Loans	<u>\$ 117,311,964</u>	<u>\$ 337,278</u>	<u>\$ 57,846</u>	<u>\$ 286,238</u>	<u>\$ 117,420,850</u>

Note : Including overdue receivable.

B. Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due. The Consolidated Company's working capital is sufficient for daily operations, and the cash and marketable securities held can also contribute to satisfy the cash liquidity needed. The cross currency swaps, FX swap and non-delivery forward contracts and delivery forward contracts are for hedging purpose. When rolling over, transactions are net settled and required amounts are within predictable ranges. Hence, there should be no significant exposure to cash flow risk.

The Consolidated Company has investment contracts without discretionary participation feature that are classified as separate account investment-linked insurance products. Such liabilities are repaid based on separate account investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

The table below analyses the Consolidated Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

(a) Non-derivative financial liabilities

December 31, 2022				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 12,992,000	\$ -	\$ -	\$ 12,992,000
Payables	25,072,333	-	-	25,072,333
Bonds payable (Note)	1,446,500	36,330,058	10,162,295	47,938,853
Guarantee deposits received	1,694,901	456,869	353,011	2,504,781
Lease liabilities	950,224	2,860,145	29,115,191	32,925,560

December 31, 2021				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Payables	\$ 16,158,860	\$ -	\$ -	\$ 16,158,860
Bonds payable (Note)	1,446,500	30,328,123	17,609,608	49,384,231
Guarantee deposits received	4,739,091	541,787	395,489	5,676,367
Lease liabilities	940,953	2,764,637	29,166,603	32,872,193

Note: It includes estimated interest so that the disclosed amount does not correspond with relating accounts in the consolidated balance sheet. In addition, the cash flows is counted with ten years for the remaining period under the contract because the bond payable is perpetual.

(b) Derivative financial liabilities

December 31, 2022					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 5,449,660)	(\$ 4,304,633)	\$ -	\$ -	(\$ 9,754,293)
Gross-settled derivatives					
Cash inflow	143,521,765	109,074,831	-	-	252,596,596
Cash outflow	(149,534,768)	(109,425,277)	-	-	(258,960,045)
December 31, 2021					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 880,833)	(\$ 194,055)	\$ -	\$ -	(\$ 1,074,888)
Gross-settled derivatives					
Cash inflow	93,163,920	20,164,872	16,521,773	-	129,850,565
Cash outflow	(93,301,772)	(20,179,073)	(16,538,591)	-	(130,019,436)

C. Market risk

The Consolidated Company's domestic and foreign investments are exposed to market risks, and potential losses resulting from market risks could be partly mitigated through foreign exchange hedge and investment diversification. The Consolidated Company continuously uses market risk management methods such as VaR and sensitivity analysis, along with implementation of risk limits and completely effective measurement and control over the market risk faced by the Consolidated Company to avoid potential losses to the Consolidated Company's assets arising from variations in the market prices of held financial instruments (e.g. market interest rates, exchange rates, stock price, and credit spread).

(a) Interest rate risk

Interest rate risk refers to the risk of changes in value of financial instruments as a result of variations in the market interest rates. Variations in the market interest rates will result in changes in the fair value and future cash flows of bond investments. An increase in market interest rates will cause the fair value of fixed rate bond investments to fall, and the cash flow of floating rate bond investments increase. For the year ended December 31, 2022, some of the fixed income assets had fluctuation that reflected on the rise of latest market interest rate. However, the Consolidated Company mainly pursues steady and predictable long-term earnings, maintains stable business and liquidity and continuously supervises the interest rate risk, as well as timely reports related situation to the Board of Directors. Sensitivity analysis of interest rate risk provided in the table below is performed for reasonably possible changes in interest rates with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	December 31, 2022		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 7,346,164)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(25,892,124)
	December 31, 2021		
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1%	\$ -	(\$ 8,069,387)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(216,391,695)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

If the variables adopted in the aforesaid sensitivity analysis of interest rate risk move in opposite direction, variations in profit/loss and other comprehensive income (pre-tax) will also move in reverse.

(b) Price risk

Price risk mainly arises from price volatility of equity instruments (stocks and equity fund) held by the Consolidated Company. However, the Consolidated Company dispersed the price risk through diversified investment portfolio.

Sensitivity analysis of price risk provided in the table below is performed for reasonably possible movement in price with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	December 31, 2022	
	Effect on profit or loss	Effect on other comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,146,960	\$ 36,573,922
A price decrease by 10%	(1,146,960)	(36,573,922)

	December 31, 2021	
	Effect on profit or loss	Effect on other comprehensive income (Note)
Price risk		
A price increase by 10%	\$ 1,265,022	\$ 55,179,779
A price decrease by 10%	(1,265,022)	(55,179,779)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

(c) Exchange rate risk

I. Hedging Strategy and Risk Exposure

The Consolidated Company holds many foreign investments, which are denominated in various currencies and may suffer from losses when the fluctuations of exchange rates lead to changes in their fair values. Following the principles that life insurance companies should pursue long-term stable investment income and keeping the reserve for foreign exchange at suitable levels, the Consolidated Company tries to reduce the foreign exchange risk by adopting direct hedges, natural hedges, and other hedging tools compliant with the regulations; quarterly reviewing the currencies, profit or loss, and tenor allocation of the hedges; and dynamically adjusting the risk exposures and hedge ratios to the market conditions. Direct hedges are the direct hedging transactions of the foreign currencies versus USD or TWD, and the hedging tools the Consolidated Company currently uses include FX swap contracts, cross currency swaps, delivery forwards, and non-delivery forwards. On the other hand, natural hedges are to diversify the foreign exchange risks of the entire foreign investment positions by holding a variety of currency exposures, since the different trends among the exposed currencies may bring diversification effects to the Consolidated Company.

- II. Sensitivity analysis of foreign exchange risk provided in the table below is performed for reasonably possible changes in foreign exchange rates of monetary assets and liabilities with other conditions held constant, considering foreign exchange derivatives for hedge and excluding insurance contract denominated in foreign currencies, showing the impact on net income and other comprehensive income (changes in the fair value) (pre-tax).

	December 31, 2022	
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 31,260,056	(\$ 994,023)
All currency to TWD decrease by 5%	(31,260,056)	994,023
	December 31, 2021	
	Effect on profit or loss	Effect on other comprehensive income
All currency to TWD increase by 5%	\$ 26,114,339	\$ 2,567,124
All currency to TWD decrease by 5%	(26,114,339)	(2,567,124)

D. Climate - related risks

The Consolidated Company established a Task Force on Climate-Related Financial Disclosures (TCFD) working group, and built the governance structure on the risk and opportunity in relation to the climate changes to promote the identification, responses and disclosures on the risk and opportunity in relation to the climate changes. The top unit which is responsible for the risk and opportunity in relation to the climate changes is the Board of Directors, and the execution of periodical supervision on the risk and opportunity in relation to the climate changes were performed by functional committees under the Board of Directors, including Risk Management Committee and Sustainable Development Committee, respectively.

For the year ended December 31, 2022, the TCFD working group gathered and summarised 17 items of climate-related risk issues by referring to domestic and foreign studies and analysis reports from benchmark enterprises, ranked the significance by assessing the possibility of occurrence and the effect degree and planned related adjustment and responsive measures to the top 10 risk items.

For the year ended December 31, 2022, the ranks of identified top 10 risk factors were the loss on assets increasing due to the climate catastrophe, the demand of policies on enhancing the proportion of green buildings, the claim increases due to the climate catastrophe's effects on the subject matter insured, investments losses on investees arising from the information uncertainty of market and its customers, loss on the subject matter insured due to sea level rise, an incremental cost due to the current products and services which were substituted by low carbon transition service, the demand of policies on enhancing the proportion of renewable energy investees' face related financial risks which are affected by the risk of regulation transition, loss on service sites or property investment caused by sea level rise and changes of customers' behaviour. The Consolidated Company had built related management mechanic or set related indication and target. The Consolidated Company will continuously observe and research the effects on finance and improve related adjustment and responsive measures.

13. OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Consolidated Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Consolidated Company in order to support the Consolidated Company's sustainable development and continuously create interests for shareholders.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the risk based capital ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital should not be lower than 200%. The Consolidated Company calculates the risk based capital ratio and net worth ratio once every six months to measure and assess

the future capital adequacy in accordance with “Regulations Governing Capital Adequacy of Insurance Companies” and other competent authority to ensure that it can continuously meet the statutory capital requirement and medium and long-term operations.

Risk based capital ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognised owners’ equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Net worth ratio is calculated as equity divided by total assets excluding assets on insurance product - separated account. The risk based capital ratios of the Consolidated Company’s life insurance business and property insurance business, as of December 31, 2022, were separately calculated by “Regulations Governing Capital Adequacy of Insurance Companies” and were both above 200% and the latest two net worth ratios at least one was above 3%, which meet the statutory capital requirement.

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14. OTHERS

(1) Assets and liabilities recoverable or payable within 12 months or more than 12 months:

Assets	December 31, 2022		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 98,163,350	\$ 98,163,350	\$ -
Receivables	56,384,806	56,384,806	-
Current tax assets	1,042,474	614,127	428,347
Financial assets at fair value through profit or loss	931,841,974	877,922,670	53,919,304
Financial assets at fair value through other comprehensive income	235,055,420	594,061	234,461,359
Financial assets at amortised cost	3,311,180,763	9,061,223	3,302,119,540
Investments accounted for using equity method	5,591	-	5,591
Investment property	198,615,377	-	198,615,377
Loans	113,923,449	-	113,923,449
Reinsurance contract assets	4,410,141	3,927,975	482,166
Property and equipment	16,809,216	-	16,809,216
Right-of-use assets	908,186	54,697	853,489
Intangible assets	14,521,664	-	14,521,664
Deferred tax assets	63,128,990	-	63,128,990
Other assets	36,898,743	5,490,614	31,408,129
Liabilities			
Short-term debts	\$ 12,992,000	\$ 12,992,000	-
Payables	25,072,333	25,072,333	-
Current tax liabilities	892,165	223,026	669,139
Financial liabilities at fair value through profit or loss	16,085,125	16,085,125	-
Bonds payable	42,000,000	-	42,000,000
Insurance contract liabilities	4,585,938,400	45,948,047	4,539,990,353
Reserve for insurance with nature of financial instruments	642,763	-	642,763
Reserve for foreign exchange valuation	42,592,110	-	42,592,110
Provisions	3,315,273	-	3,315,273
Lease liabilities	19,498,235	949,614	18,548,621
Deferred tax liabilities	23,886,131	-	23,886,131
Other liabilities	28,399,360	4,826,077	23,573,283

Assets	December 31, 2021		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 177,566,730	\$ 177,566,730	\$ -
Receivables	61,233,996	61,233,996	-
Current tax assets	804,548	-	804,548
Financial assets at fair value through profit or loss	1,141,234,972	1,078,653,541	62,581,431
Financial assets at fair value through other comprehensive income	1,498,660,492	22,636,266	1,476,024,226
Financial assets at amortised cost	1,788,702,003	11,971,448	1,776,730,555
Investments accounted for using equity method	3,376	-	3,376
Investment property	199,300,355	-	199,300,355
Loans	117,420,850	-	117,420,850
Reinsurance contract assets	3,961,419	3,762,538	198,881
Property and equipment	14,174,506	-	14,174,506
Right-of-use assets	891,938	67,565	824,373
Intangible assets	15,142,498	-	15,142,498
Deferred tax assets	32,305,190	-	32,305,190
Other assets	27,210,520	575,112	26,635,408
Liabilities			
Payables	\$ 16,158,860	\$ 16,158,860	\$ -
Current tax liabilities	4,162,599	3,884,555	278,044
Financial liabilities at fair value through profit or loss	1,250,127	1,233,338	16,789
Bonds payable	42,000,000	-	42,000,000
Insurance contract liabilities	4,405,863,000	51,027,746	4,354,835,254
Reserve for insurance with nature of financial instruments	501,767	-	501,767
Reserve for foreign exchange valuation	7,392,686	-	7,392,686
Provisions	4,623,419	-	4,623,419
Lease liabilities	20,879,263	943,742	19,935,521
Deferred tax liabilities	35,371,722	-	35,371,722
Other liabilities	28,888,935	7,106,402	21,782,533

- (2) The Consolidated Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

December 31, 2022			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 121,164,654	30.71	\$ 3,720,713,159
Others (Note)			117,748,004
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 35,918,930	30.71	\$ 1,102,989,861
Others (Note)			8,366,520
December 31, 2021			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 120,776,289	27.69	\$ 3,344,299,776
Others (Note)			148,292,917
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 34,592,834	27.69	\$ 957,889,128
Others (Note)			12,772,767

Note : The combined amount is disclosed, since the New Taiwan Dollars were under 10% of each account.

- (3) Net worth ratio

As of December 31, 2022 and 2021, the net worth ratio of the Company was calculated by its equity divided by the total assets, excluding assets on insurance products - separate account, which equalled 5.55% and 10.09%, respectively. As of December 31, 2022 and 2021, the net worth ratio of the Subsidiary was calculated by its equity divided by total assets, which equalled 16.72% and 29.66%, respectively.

On September 29, 2022, the Board of Directors of the Company approved to change the business model for managing financial assets. Refer to Note 14(8) for the change of the business model causing the reclassification of financial assets and the effects on the net worth and net worth ratio.

(4) Retention limit

The Consolidated Company's property insurance business which's retention limit per unit of risk for each kind of insurance:

Item	Unit: Thousand	
	December 31, 2022	December 31, 2021
One-year residential fire insurance	NT\$ 150,000	NT\$ 150,000
One-year commercial fire insurance	NT\$ 300,000	NT\$ 300,000
Long-term commercial fire insurance	NT\$ 150,000	NT\$ 150,000
In-land transportation insurance	US\$ 7,000	US\$ 7,000
Cargo transportation insurance	US\$ 7,000	US\$ 7,000
General self-owned automobile property insurance	NT\$ 100,000	NT\$ 100,000
General commercial automobile property insurance	NT\$ 100,000	NT\$ 100,000
General self-owned automobile liability insurance	NT\$ 100,000	NT\$ 100,000
General commercial automobile liability insurance	NT\$ 100,000	NT\$ 100,000
Compulsory self-owned automobile liability insurance	NT\$ 1,000	NT\$ 1,000
Compulsory commercial automobile liability insurance	NT\$ 1,000	NT\$ 1,000
Compulsory motorcycle liability insurance	NT\$ 1,000	NT\$ 1,000
General liability insurance	NT\$ 300,000	NT\$ 300,000
Professional liability insurance	NT\$ 150,000	NT\$ 150,000
Engineering insurance	NT\$ 400,000	NT\$ 400,000
Guarantee insurance	NT\$ 30,000	NT\$ 30,000
Miscellaneous property insurance	NT\$ 150,000	NT\$ 150,000
Personal accident insurance	NT\$ 40,000	NT\$ 40,000
Commercial earthquake insurance	NT\$ 300,000	NT\$ 300,000
Individual all-risk insurance	NT\$ 120,000	NT\$ 120,000
Commercial all-risk insurance	NT\$ 150,000	NT\$ 150,000
Typhoon and flood insurance	NT\$ 300,000	NT\$ 300,000
Health Insurance	NT\$ 30,000	NT\$ 30,000
Compulsory mini electric two-wheel vehicle liability insurance	NT\$ 1,000	NT\$ -

(5) Information of compulsory automobile liability insurance specific asset segmentation, assets and liabilities and income and cost:

A. The Consolidated Company property insurance business maintains separate accounts for its compulsory automobile liability insurance (the “insurance”) in accordance with the Compulsory Automobile Liability Insurance Act, recording the insurance business and financial condition. The insurance assets and liabilities of the Consolidated Company are as follows:

Item	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 1,022,802	\$ 1,149,434
Notes receivable	487	513
Premiums receivable	2,839	4,790
Claims recoverable from reinsurers	29,686	44,529
Financial assets at fair value through other comprehensive income	1,823,766	1,574,983
Ceded unearned premium reserve	191,294	187,405
Ceded claim reserve	203,192	190,383
Temporary payments and suspense accounts	6,403	615
Total Assets	\$ 3,280,469	\$ 3,152,652
Liabilities		
Claims and policy benefits payable	\$ 140	\$ -
Reinsurance payable	14,358	16,077
Unearned premium reserve	465,981	450,891
Claims reserve	533,487	498,165
Special reserve	2,264,805	2,185,525
Temporary payments and suspense accounts	220	263
Other liabilities	1,478	1,731
Total liabilities	\$ 3,280,469	\$ 3,152,652

- B. For the years ended December 31, 2022 and 2021, the information on the Consolidated Company's insurance income and cost is as follows:

Item	2022	2021
Operating income		
Net premium income	\$ 496,712	\$ 484,514
Reinsurance premium income	246,317	230,026
Premium income	743,029	714,540
Less: Reinsurance premiums ceded	(297,942)	(290,680)
Net changes of unearned premium reserve	(11,201)	(5,260)
Retention earned premium income	433,886	418,600
Interest income	23,582	16,237
	<u>\$ 457,468</u>	<u>\$ 434,837</u>
Operating cost		
Claims payments	\$ 391,423	\$ 450,440
Reinsurance claims	218,448	218,614
Less: Claim recovered from reinsurers	(231,696)	(268,702)
Net claims paid	378,175	400,352
Net changes of claim reserve	22,513	16,696
Net changes of special reserve	79,280	34,957
	<u>\$ 479,968</u>	<u>\$ 452,005</u>

Note: Including the special reserve provisioned from insurer's business expenses, please refer to Note 6(21)B(b)III (iii) for details.

(6) Unqualified reinsurance reserve

- A. Among the Consolidated Company's inforce policies as of December 31, 2022 and 2021, reinsurance expenses of unqualified ceding reinsurance amounted to \$40 and \$66, respectively.
- B. The Consolidated Company's unqualified reinsurance reserve and its details are as follows :

	December 31, 2022	December 31, 2021
Ceded unearned premium reserve	\$ 299	\$ 68
Claims recoverable from reinsurers	20	33
Ceded reported but not paid claims reserve	1,694	915
	<u>\$ 2,013</u>	<u>\$ 1,016</u>

(7) The effects of Russian-Ukrainian conflict

Due to the Russian-Ukrainian conflict which started on February 24, 2022, countries worldwide adopted many economic and financial sanctions on Russia, resulting in an increase in the risk of default on sovereign debts and interest of Russia, and the credit rating was significantly decreased and cancelled by international credit rating agencies. As of December 31, 2022, the Consolidated Company recognised expected credit loss on the credit impaired Russian debt instruments (recognised as financial assets at fair value through other comprehensive income, financial assets at amortised cost and bond interest receivable of receivables) in the amount of \$2,980,068.

(8) Reclassification of financial assets

- A. Due to the disruption in supply chains caused by the global pandemic and the Russian-Ukrainian conflict during the past two years, the global inflationary pressures have increased and further pushed a rise in interest rates. The increasing level in interest rates has already met the extreme case defined by Insurance Capital Standard (ICS), therefore, the Company has decided to change its business model and applied an asset reclassification to its bond exposure from financial assets at fair value through other comprehensive income to financial assets at amortised cost in the

Company's accounting records as resolved by the Board of Directors in September 29, 2022. The aforementioned asset reclassification also met the situations regulated under Accounting Research and Development Foundation Ji-Mi Letter No. 0000000354. Starting October 1, 2022, as a result of the change in business model and asset reclassification to its bond exposure, "Financial Assets at Fair Value through Other Comprehensive Income" decreased by \$994,190,037, "Financial Assets at Amortised Cost" assets increased by \$1,400,576,887, deferred tax asset decreased by \$79,886,702, and other equity interest increased by \$326,500,148. The financial status information around the reclassification date is summarised as follows:

	September 30, 2022		October 1, 2022
	Before adjustment	Adjustment	After adjustment
Total consolidated assets	\$ 5,099,975,022	\$ 326,500,148	\$ 5,426,475,170
Total consolidated liabilities	5,140,821,664	-	5,140,821,664
Total consolidated equity	(40,846,642)	326,500,148	285,653,506
Net worth ratios	-0.83%	6.30%	5.47%

- B. On October 1, 2022, the Consolidated Company reclassified the financial assets which were affected by the reclassification from financial assets at fair value through other comprehensive income to financial assets at amortised cost. On December 31, 2022, the fair value of affected financial assets was \$994,679,285. If the reclassification had not occurred on October 1, 2022, the amount of other equity interest would have been (\$290,546,374) on December 31, 2022, and the after-tax changes of fair value recognised in other comprehensive income would have been \$35,953,774 from October to December 2022.
- C. Subsequently, according to Jin-Guan-Bao-Tsai Letter No. 1110494274, when the Consolidated Company distributes earnings, the changes in the fair value from reclassified financial assets should be accounted into the debit balance on other equity interest which is according to Jin-Guan-Bao-Tsai Letter No. 11004920441, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently when the changes (including disposals) in the fair value from reclassified financial assets cause the amount of the debit balance on other equity interest to reverse, the reversed amount could be included in the distributable earnings.

15. SUPPLEMENTARY DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

Company who acquired properties	Real Estate Required	Date of the Event (Note)	Transaction Amount	Collection of payments	Counterparty	Relationship with the Counterparty	Reason for acquisition of real estate and status of the real estate	Basis or Reference Used in Setting the Price	Other Agreement
The Company	Land: No.2 and 3,3rd Subsection,Gongyuan Section,Zhongzheng District,Taipei City. Building: 18F., No. 4, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City.	June 10, 2022	\$650,000	Payment based on the contract terms.	Central Trading & Development Corp.	Nil	Property for operating purpose	Appraisal report of property appraiser	None
The Company	Land: No.24,Xiehe Section,Xitun District,Taichung City. Building: No. 9 and 9-1, Gongyequ 7th Rd., Xitun Dist., Taichung City.	September 29, 2022	\$1,600,000	Payment based on the contract terms.	Individual	Nil	Property investment and stable long-term rental income	Appraisal report of property appraiser	None

Note: Date of the event referred to contracts signing date.

B. Disposal of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None

C. Related party transactions of main business activities reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

None.

D. Accounts receivable from related parties reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

E. Derivative business transactions: Please refer to Notes 6(3), (19) and 11.

F. Business relationship and significant transactions between parent company and subsidiaries: None.

(2) Information on investees

Investor company	Investee company	Area	Main operation	Initial investment amount		Held by the end of period			Profit in this period of investee company	Recognised profit on investment in this period	Remarks
				End of this period	End of last year	Number of shares (In thousands)	Ratio	Carrying amount			
The Company	Nan Shan General Insurance Co., Ltd.	R.O.C	Property insurance	\$ 5,276,893	\$ 5,276,893	200,000	100%	\$ 3,806,936	\$ (1,253,876)	\$ (1,258,266)	Note
The Company	Nan Shan Plaza Property Management Co., Ltd	R.O.C	Apartment and building management service	3,000	3,000	3	30%	5,591	3,466	2,215	

Note: It has been written when preparing the consolidated financial statements.

(3) Information on investments in Mainland China

None.

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16. SEGMENT INFORMATION

(1) General information

The Consolidated Company's management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Consolidated Company or in the measurement basis for segment information during this period.

(2) Segment information

	2022			
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 276,283,106	\$ 7,013,984	(\$ 63,409)	\$ 283,233,681
Segment profit	\$ 31,553,637	(\$ 1,255,226)	\$ 1,255,226	\$ 31,553,637
Segment's total assets	\$ 5,264,756,311	\$ 14,234,876	(\$ 3,080,160)	\$ 5,275,911,027
	2021			
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 339,756,675	\$ 6,997,745	(\$ 57,222)	\$ 346,697,198
Segment profit	\$ 59,693,413	\$ 349,891	(\$ 349,891)	\$ 59,693,413
Segment's total assets	\$ 5,279,115,295	\$ 15,251,096	(\$ 5,085,445)	\$ 5,289,280,946

Note: Adjustment and write-off are mainly adjustments in line with the journal entry for consolidation purpose.

(3) Geographical information

There is no requirement for geographical information disclosure since no foreign operating segment held by the Consolidated Company.

(4) Major customer information

There is no requirement for additional disclosure since no significant customer accounted for 10% or more of the Consolidated Company's operating revenues.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR24000076

To Nan Shan Life Insurance Company, Limited

Opinion

We have audited the accompanying consolidated balance sheets of Nan Shan Life Insurance Co., Ltd. and its subsidiary (the “Consolidated Company”) as at June 30, 2024, December 31, 2023 and June 30, 2023, and the related consolidated statements of comprehensive income for the three months and for the six months ended June 30, 2024 and 2023, as well as the consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2024 and 2023, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Company as at June 30, 2024, December 31, 2023 and June 30, 2023, and its consolidated financial performance for the three months and for the six months ended June 30, 2024 and 2023 and its consolidated cash flows for the six months ended June 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Accounting Standards 34, ‘Interim financial reporting’ that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Consolidated Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Company's consolidated financial statements for the six months ended June 30, 2024. 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.

Key audit matters for the Consolidated Company's consolidated financial statements for the six months ended June 30, 2024 are stated as follows:

Insurance contract liabilities-policy reserves

Description

For the accounting policy for policy reserves, please refer to Note 4 of the consolidated financial statements; for details on insurance contract liabilities, please refer to Note 6(22) of the consolidated financial statements.

Policy reserves for long-term insurance contracts are provisioned in accordance with related insurance regulations and the insurance product statements of each product; the discount rate is the policy reserve specified interest rate. Nan Shan Life Insurance Co., Ltd.'s policy reserves as at June 30, 2024, accounts for 89% of total liabilities. Considering that the accuracy of policy reserve calculation results is material with respect to the financial statements, we have thus included policy reserves as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the related policies, internal controls, and processing procedures for the calculation of Nan Shan Life Insurance Co., Ltd.'s policy reserves.
2. On a sample basis, tested the effectiveness of internal controls for the calculation of policy reserves. This included the following procedures:
 - (1) Inspected the number of effective policies in the policy system and the actuarial system in order to confirm the completeness of policy reserve calculations.

- (2) Examined the consistency between policy information and information in the policy system in order to confirm the accuracy of policy information for calculating policy reserves.
- 3. We used the work of actuarial specialists to assist us in comparing the provision method and assessing the reasonableness of policy reserves at balance sheet date. This included the following procedures:
 - (1) On a sample basis, tested representative new products in the current period in order to confirm that Nan Shan Life Insurance Co., Ltd.'s method and results of provisioning reserves were consistent with those of the insurance product statement.
 - (2) Performed trend analysis (excluding universal life insurance and variable interest annuities) and roll analysis in order to assess the reasonableness of the policy reserves at balance sheet date.

Adequacy of insurance contract liabilities

Description

For the accounting policy regarding the adequacy of insurance contract liabilities, please refer to Note 4 of the consolidated financial statements; for the critical accounting estimates and assumptions, please refer to Note 5 of the consolidated financial statements.

Nan Shan Life Insurance Co., Ltd.'s insurance contract liabilities as at June 30, 2024, accounts for 90% of total liabilities. In accordance with IFRS 4, 'Insurance Contracts', insurance contracts should be tested for liability adequacy at every balance sheet date in order to reflect Nan Shan Life Insurance Co., Ltd.'s current estimates of future cash flows; of which, various assumptions such as discount rate (i.e. rate of investment return), mortality rate, morbidity rate, lapse rate, and expense rate involve human subjective judgement. Considering that there will be a material impact on the financial statements if insurance liabilities are not adequate, we have thus included the adequacy of insurance liabilities as one of the key audit matters in our audit.

How our audit addressed the matter

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

We used the work of actuarial specialists to assist us in assessing the reasonableness of elected methods and various assumptions. This included the following procedures:

1. Compared whether there were significant differences between the current period and the previous period for major assumptions other than the discount rate (such as the mortality rate, morbidity rate, lapse rate, and expense rate). If there were significant differences, then related documents and explanations with regard to Nan Shan Life Insurance Co., Ltd.'s actuary assumptions were obtained. Current period assumptions were compared to actual experiences in order to examine the reasonableness of each assumption.
2. Referenced current market interest rate information to assess the reasonableness of the elected discount rate for future cash flows from insurance contracts.
3. Confirmed the accuracy of the cash flow model through independent sample testing.
4. Recalculated the current estimates of future cash flows using the overall cash flows and discount rate assumptions provided by Nan Shan Life Insurance Co., Ltd.
5. Compared the carrying amounts of insurance liabilities to the current estimates of future cash flows from insurance contracts.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Nan Shan Life Insurance Co., Ltd. as at and for the six months ended June 30, 2024 and 2023.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of 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 Consolidated Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Company 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 the Consolidated Company's financial reporting process.

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and 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 Consolidated Company'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 Consolidated Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Consolidated Company 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company 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 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.

From the matters communicated with those charged with governance, 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 auditors' 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.

Shih, Ming-Chih

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

August 8, 2024

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 independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	June 30, 2024		December 31, 2023		June 30, 2023	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Cash and cash equivalents	6(1)(9)	\$ 80,967,406	2	\$ 71,836,768	1	\$ 83,600,674	2
Receivables	6(2) and 13(3)	42,719,809	1	45,444,582	1	69,089,024	1
Current tax assets		4,601,285	-	4,116,889	-	1,028,448	-
Financial assets at fair value through profit or loss	6(3)(9)	1,005,307,392	18	1,008,081,692	19	961,174,274	18
Financial assets at fair value through other comprehensive income	6(4) and 13(3)	274,517,360	5	269,736,858	5	292,236,499	5
Financial assets at amortised cost	6(5) and 13(3)	3,460,790,172	62	3,325,116,318	62	3,327,743,079	62
Investments accounted for using equity method	6(6) and 16(2)	2,812,742	-	2,816,281	-	2,642,926	-
Investment property	6(10)	214,613,212	4	218,889,784	4	218,397,767	4
Loans	6(11) and 13(3)	108,888,167	2	110,143,889	2	110,366,543	2
Reinsurance contract assets	6(22)	3,593,180	-	4,012,032	-	4,295,413	-
Property and equipment	6(12)	17,628,525	-	16,850,912	-	16,804,062	-
Right-of-use assets	6(13)	868,317	-	827,036	-	891,398	-
Intangible assets	6(15)	13,174,044	-	13,713,264	-	14,117,487	-
Deferred tax assets		79,812,875	1	62,221,574	1	65,187,189	1
Other assets	6(16)	55,721,250	1	24,426,969	1	40,471,258	1
Assets on insurance products-separate account	6(17)	221,979,873	4	208,211,792	4	204,233,281	4
TOTAL ASSETS		\$ 5,587,995,609	100	\$ 5,386,446,640	100	\$ 5,412,279,322	100

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	June 30, 2024		December 31, 2023		June 30, 2023	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Short-term debts	6(8)(9)(18)	\$ 9,703,644	-	\$ 5,738,950	-	\$ 2,211,884	-
Payables	6(19)	24,514,939	-	14,256,570	-	32,793,589	1
Current tax liabilities		1,297,085	-	3,048,691	-	1,851,383	-
Financial liabilities at fair value	6(3)(9)(20)						
through profit or loss		53,621,151	1	5,287,505	-	35,275,298	1
Bonds payable	6(21)	61,040,000	1	53,500,000	1	42,000,000	1
Insurance contract liabilities	6(22)	4,707,668,214	84	4,627,810,413	86	4,641,278,093	86
Reserve for insurance with nature of	6(23)						
financial instruments		1,186,250	-	956,348	-	811,088	-
Reserve for foreign exchange valuation	6(24)	22,467,536	-	8,675,002	-	34,318,992	1
Provisions	6(25)	3,814,498	-	3,840,130	-	3,288,505	-
Lease liabilities	6(13)	29,554,940	1	32,921,416	1	32,545,087	-
Deferred tax liabilities		48,410,574	1	29,104,400	1	28,609,896	-
Other liabilities	6(27)	28,504,122	1	49,217,261	1	26,070,404	-
Liabilities on insurance products-	6(17)						
separate account		221,979,873	4	208,211,792	4	204,233,281	4
Total Liabilities		<u>5,213,762,826</u>	<u>93</u>	<u>5,042,568,478</u>	<u>94</u>	<u>5,085,287,500</u>	<u>94</u>
Capital							
Common stock		138,219,000	3	138,219,000	3	138,219,000	3
Stock dividend to be distributed		8,773,460	-	-	-	-	-
Capital surplus		9,187,500	-	9,187,500	-	9,187,500	-
Retained Earnings							
Legal reserve		49,419,333	1	45,092,928	1	45,092,928	1
Special reserve		218,536,970	4	210,506,837	4	210,004,812	4
Undistributed earnings		25,588,157	-	21,130,000	-	15,679,691	-
Other equity interest		(75,491,637)	(1)	(80,258,103)	(2)	(91,192,109)	(2)
Total Equity	6(28)	<u>374,232,783</u>	<u>7</u>	<u>343,878,162</u>	<u>6</u>	<u>326,991,822</u>	<u>6</u>
TOTAL LIABILITIES AND							
EQUITY		<u>\$ 5,587,995,609</u>	<u>100</u>	<u>\$ 5,386,446,640</u>	<u>100</u>	<u>\$ 5,412,279,322</u>	<u>100</u>

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2024		2023		2024		2023	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Revenues									
Premium income from written policy		\$ 64,951,824	52	\$ 69,023,772	52	\$ 135,183,754	52	\$ 140,987,707	57
Reinsurance premium income		71,397	-	68,080	-	150,962	-	143,737	-
Premium Income		65,023,221	52	69,091,852	52	135,334,716	52	141,131,444	57
Less : Reinsurance premium ceded		(1,635,606)	(1)	(1,640,730)	(1)	(3,045,237)	(1)	(3,165,542)	(1)
Net change in unearned premium reserve	6(22)	(552,618)	(1)	(369,315)	(1)	(1,495,460)	-	(1,287,000)	(1)
Retention Earned Premium Income	6(31)	62,834,997	50	67,081,807	50	130,794,019	51	136,678,902	55
Reinsurance commission income		509,137	-	508,704	-	1,089,396	-	1,057,947	1
Fee income	6(17)	581,382	1	515,884	1	1,131,811	1	1,026,992	-
Net Investment Income (Loss)									
Interest income	6(33)	35,721,684	29	36,300,420	27	70,496,004	27	68,977,726	28
(Loss) gain on financial assets and liabilities at fair value through profit or loss	6(3)	(9,700,763)	(8)	(25,044,444)	(19)	(67,097,121)	(26)	15,170,444	6
Realised gain on financial assets at fair value through other comprehensive income	6(4)	99,104	-	921,363	1	909,724	-	1,885,287	1
(Loss) gain from derecognition of financial assets at amortised cost	6(5)	(79,384)	-	(22,320)	-	(574,684)	-	1,051,696	1
Share of gain of associates and joint ventures accounted for using equity method	6(6) and 16(2)	134,198	-	79,596	-	268,833	-	92,814	-
Foreign exchange gain		35,550,074	28	51,191,781	38	132,186,939	51	32,048,341	13
Net change in reserve for foreign exchange valuation	6(24)	(4,603,346)	(4)	3,748,405	3	(13,792,534)	(5)	8,273,118	3
(Loss) gain on investment property	6(10)	(119,232)	-	418,892	-	948,710	-	1,019,894	-
Expected credit (loss) reversal on investment	6(34)	(565,335)	-	(860,671)	-	(478,278)	-	(814,012)	-
Loss on reclassification using overlay approach	6(3)	(3,022,145)	(2)	(9,664,364)	(7)	(15,742,672)	(6)	(34,143,245)	(14)
Subtotal		53,414,855	43	57,068,658	43	107,124,921	41	93,562,063	38
Other operating revenues		45,497	-	14,763	-	155,175	-	20,491	-
Revenue on insurance products-separate account	6(17)	7,720,127	6	8,373,745	6	18,220,611	7	14,789,405	6
Total Operating Revenues		125,105,995	100	133,563,561	100	258,515,933	100	247,135,800	100

(Continued)

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2024		2023		2024		2023	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating Costs									
Claims and policy benefits payments		(\$ 94,042,208)	(75)	(\$ 79,921,609)	(60)	(\$ 176,161,424)	(68)	(\$ 161,094,935)	(65)
Less : Claims recovered from reinsurers		724,405	-	762,283	1	1,488,214	1	1,629,565	-
Retention Claims and Policy Benefits Payments	6(32)	(93,317,803)	(75)	(79,159,326)	(59)	(174,673,210)	(67)	(159,465,370)	(65)
Net change in other insurance contract liabilities	6(22)	(84,314)	-	(18,456,343)	(14)	(16,959,299)	(7)	(37,117,008)	(15)
Net change in reserve for insurance with nature of financial instruments	6(23)	(79,981)	-	(89,112)	-	(223,179)	-	(166,916)	-
Underwriting expenses		(7,767)	-	(6,508)	-	(15,689)	-	(11,250)	-
Commission expenses		(4,351,127)	(3)	(4,215,061)	(3)	(8,609,394)	(3)	(8,332,500)	(4)
Other operating costs		(68,473)	-	(92,034)	-	(145,583)	-	(184,584)	-
Finance costs	6(35)	(651,239)	(1)	(402,783)	(1)	(1,281,105)	(1)	(841,746)	-
Expenses on insurance products-separate account	6(17)	(7,720,127)	(6)	(8,373,745)	(6)	(18,220,611)	(7)	(14,789,405)	(6)
Total Operating Costs		(106,280,831)	(85)	(110,794,912)	(83)	(220,128,070)	(85)	(220,908,779)	(90)
Operating Expenses	6(36)								
General expenses		(2,688,143)	(2)	(2,749,498)	(2)	(5,304,868)	(2)	(5,199,720)	(2)
Administrative expenses		(3,108,034)	(2)	(2,960,020)	(2)	(5,932,401)	(2)	(5,482,418)	(2)
Employee training expenses		(4,607)	-	(4,629)	-	(7,769)	-	(7,306)	-
Expected credit (loss) reversal on non-investment	6(34)	2	-	(6,432)	-	9,744	-	(14,942)	-
Total Operating Expenses		(5,800,782)	(4)	(5,720,579)	(4)	(11,234,294)	(4)	(10,704,386)	(4)
Operating Income		13,024,382	11	17,048,070	13	27,153,569	11	15,522,635	6
Non-Operating Income and Expenses		(27,180)	-	45,297	-	(10,998)	-	63,107	-
Profit from Continuing Operations before Income Taxes		12,997,202	11	17,093,367	13	27,142,571	11	15,585,742	6
Income Tax Expense	6(29)	(889,104)	(1)	(1,897,092)	(2)	(1,554,416)	(1)	(93,949)	-
Net Income		<u>\$ 12,108,098</u>	<u>10</u>	<u>\$ 15,196,275</u>	<u>11</u>	<u>\$ 25,588,155</u>	<u>10</u>	<u>\$ 15,679,691</u>	<u>6</u>
Other Comprehensive Income									
Components of other comprehensive income that will not be reclassified to profit or loss									
Unrealised revaluation increments	6(12)	\$ 28,175	-	\$ -	-	\$ 28,175	-	\$ -	-
Unrealised gain on equity instruments at fair value through other comprehensive income	6(4)	397,920	-	205,729	-	609,288	-	360,135	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may not be reclassified to profit or loss	6(6)	(154)	-	(485)	-	234	-	(485)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	(47,700)	-	(24,264)	-	(71,236)	-	(42,048)	-
Components of other comprehensive income that will be reclassified to profit or loss									
Exchange differences on translation of foreign financial statements		1,183	-	5,147	-	4,411	-	1,814	-
(Loss) gain on debt instruments measured at fair value through other comprehensive income	6(4)	(5,553,851)	(4)	(5,273,269)	(4)	(10,538,394)	(4)	(162,454)	-
Other comprehensive gain on reclassification using overlay approach	6(3)	3,022,145	2	9,664,364	7	15,742,672	6	34,143,245	14
Share of other comprehensive income of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(6)	1,471	-	2,269	-	5,578	-	2,269	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(29)	(673,820)	(1)	(462,783)	-	(1,014,262)	-	(4,891,502)	(2)
Other Comprehensive Income (Loss), Net of Income Tax	6(28)	(1,476,991)	(1)	(4,116,708)	(3)	(4,766,466)	(2)	(29,735,882)	(12)
Total Comprehensive Income (Loss)		<u>\$ 10,631,107</u>	<u>9</u>	<u>\$ 19,312,983</u>	<u>14</u>	<u>\$ 30,354,621</u>	<u>12</u>	<u>\$ 45,415,573</u>	<u>18</u>
Earnings per Share									
Basic and Diluted	6(30)	<u>\$ 0.82</u>		<u>\$ 1.03</u>		<u>\$ 1.74</u>		<u>\$ 1.07</u>	

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent										
		Capital		Retained Earnings					Other equity interest			
		Common stock	Stock dividend to be distributed	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or loss on reclassification using overlay approach	Total equity
<u>For the six months ended June 30, 2023</u>												
Balance at January 1, 2023		\$ 138,219,000	\$ -	\$ 9,187,500	\$ 38,585,413	\$ 180,792,687	\$ 35,719,640	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	\$ 281,576,249
Net income for the six months ended June 30, 2023		-	-	-	-	-	15,679,691	-	-	-	-	15,679,691
Other comprehensive income for the six months ended June 30, 2023		-	-	-	-	-	-	4,083	431,028	-	29,300,771	29,735,882
Total comprehensive income		-	-	-	-	-	15,679,691	4,083	431,028	-	29,300,771	45,415,573
Distribution of 2022 earnings												
Legal reserve		-	-	-	6,507,515	-	(6,507,515)	-	-	-	-	-
Special reserve		-	-	-	-	29,212,125	(29,212,125)	-	-	-	-	-
Balance at June 30, 2023	6(28)	\$ 138,219,000	\$ -	\$ 9,187,500	\$ 45,092,928	\$ 210,004,812	\$ 15,679,691	(\$ 4,059)	(\$ 23,502,287)	\$ 147,155	(\$ 67,832,918)	\$ 326,991,822
<u>For the six months ended June 30, 2024</u>												
Balance at January 1, 2024		\$ 138,219,000	\$ -	\$ 9,187,500	\$ 45,092,928	\$ 210,506,837	\$ 21,130,000	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	\$ 343,878,162
Net income for the six months ended June 30, 2024		-	-	-	-	-	25,588,155	-	-	-	-	25,588,155
Other comprehensive income (loss) for the six months ended June 30, 2024		-	-	-	-	-	-	9,989	(8,124,848)	28,175	12,853,150	4,766,466
Total comprehensive income (loss)		-	-	-	-	-	25,588,155	9,989	(8,124,848)	28,175	12,853,150	30,354,621
Distribution of 2023 earnings												
Legal reserve		-	-	-	4,326,405	-	(4,326,405)	-	-	-	-	-
Special reserve		-	-	-	-	8,030,133	(8,030,133)	-	-	-	-	-
Common stock dividends		-	8,773,460	-	-	-	(8,773,460)	-	-	-	-	-
Balance at June 30, 2024	6(28)	\$ 138,219,000	\$ 8,773,460	\$ 9,187,500	\$ 49,419,333	\$ 218,536,970	\$ 25,588,157	\$ 3,747	(\$ 30,698,242)	\$ 250,140	(\$ 45,047,282)	\$ 374,232,783

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars)

	Six months ended June 30	
	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit before tax	\$ 27,142,571	\$ 15,585,742
Adjustments		
Adjustments to reconcile profit (loss)		
Expected credit loss (reversal) on investments	478,278	814,012
Expected credit loss (reversal) on non-investments	(9,744)	14,942
Loss (gain) on reclassification using overlay approach	15,742,672	34,143,245
Interest income	(70,496,004)	(68,977,726)
Dividend income	(13,979,178)	(15,373,475)
Finance costs	1,281,105	841,746
Depreciation and amortisation	1,216,112	1,113,383
Loss on financial assets and financial liabilities at fair value through profit or loss	71,353,611	11,117,638
Unrealised foreign exchange gain	(131,091,492)	(33,546,046)
Net change in insurance contract liabilities	18,454,759	38,404,008
Net change in reserve for insurance with nature of financial instruments	223,179	166,916
Net change in reserve for foreign exchange valuation	13,792,534	(8,273,118)
Fair value adjustment of investment property	1,062,192	568,650
Share of gain of associates and joint ventures accounted for using equity method	(268,833)	(92,814)
Others	1,544,324	2,142,290
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in receivables	4,900,593	(9,231,321)
Increase in financial assets or liabilities at fair value through profit or loss	(19,601,903)	(21,095,905)
Increase in financial assets at fair value through other comprehensive income	(2,147,701)	(37,607,856)
Decrease in financial assets at amortised cost	28,563,121	20,646,196
Decrease (increase) in reinsurance contract assets	153,699	152,121
Increase in other assets	(6,711,445)	(1,073,997)
Changes in operating liabilities		
Increase (decrease) in short term debt	3,832,753	(10,804,379)
Increase in payables	11,065,573	8,111,696
Decrease in provisions	(25,632)	(26,768)
Decrease in other liabilities	(21,421,278)	(2,442,692)
Cash outflow generated from operations	(64,946,134)	(75,027,754)
Interest received	56,587,575	54,864,190
Dividend received	13,243,313	12,198,407
Interest paid	(2,088,455)	(1,908,368)
Income tax refunded	264,150	258,241
Income tax paid	(3,291,911)	(1,377,700)
Net cash flows used in operating activities	(231,462)	(10,992,984)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Decrease in loans	1,619,210	3,548,500
Acquisition of investment property	(2,998,067)	(786,321)
Proceeds from disposal of investment property	5,951,074	-
Acquisition of property and equipment	(589,622)	(218,283)
Proceeds from disposal of property and equipment	-	48,481
Increase in intangible assets	(215,204)	(239,424)
Acquisition of investments accounted for using equity method	-	(2,763,845)
Net cash flows from (used in) investing activities	3,767,391	(410,892)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from issuing bonds	7,540,000	-
Repayment of principal portion of lease liabilities	(3,643,363)	(3,640,656)
Net cash flows from (used in) financing activities	3,896,637	(3,640,656)
Effects of exchange rate changes on cash and cash equivalents	1,698,072	481,856
Net increase (decrease) in cash and cash equivalents	9,130,638	(14,562,676)
Cash and cash equivalents at beginning of period	71,836,768	98,163,350
Cash and cash equivalents at end of period	\$ 80,967,406	\$ 83,600,674

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

NAN SHAN LIFE INSURANCE COMPANY, LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2024 AND 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND BUSINESS ACTIVITY

Nan Shan Life Insurance Company, Limited (the “Company”) was incorporated in July 1963. The Company engages in the business of life, health, personal accident and annuity insurance. Ruen Chen Investment Holding Co., Ltd. (“Ruen Chen”), the Company’s ultimate parent company, holds 89.55% equity interest in the Company. On September 5, 2011, Ruen Chen transferred 7,678,931,390 shares to the trust account with First Bank, to demonstrate its determination to invest in the Company for long-term purpose and fulfill its commitments to the relevant government authorities. The aforementioned shares have been returned to Ruen Chen on September 16, 2021 due to the expiration of the trust account. The Company was qualified as a public company on July 16, 2012 with the approval of Jin-Guan-Zheng-Fa Letter No. 1010030238 of the Financial Supervisory Commission. The Company obtained the establishment license and business license of its offshore insurance branch which commenced its operations on October 21, 2015.

The Company has been permitted to acquire 100% shares of AIG Taiwan Insurance Co., Ltd. (“AIG Taiwan”) with Jin-Guan-Bao-Chan Letter No.10502524122 of FSC dated July 18, 2016 and the equity transfer became effective on September 1, 2016. AIG Taiwan then became a subsidiary of the Company. On the same day, it was renamed Nan Shan General Insurance Co., Ltd. (the “Subsidiary”), which is primarily engaging in property insurance for individuals and medium and small businesses.

The Company has tendered for the transfer of assets, liabilities and business by Chaoyang Life Insurance Co. Ltd (“Chaoyang”), which is led by Taiwan Insurance Guaranty Fund; and the assignment and assumption agreement is made and entered into as of January 18, 2017. The transfer became effective on May 2, 2017, therefore, the Company assumed all assets, liabilities and business except for those reserved for Chaoyang.

For the six months ended June 30, 2024 and 2023, the Company’s consolidated financial statements disclosed information about the Company and the Subsidiary (the “Consolidated Company”). Please refer to Note 4(3) for details.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on August 8, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) Accounting Standards that come into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(2) <u>Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Consolidated Company</u>	
New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:	

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025
The above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	
(3) <u>IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC</u>	
New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:	

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
Except for the following, the above standards and interpretations have no significant impact to the Consolidated Company's financial condition and financial performance based on the Consolidated Company's assessment.	

- A. Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'
- The IASB issued the amendments to:
- (a) Clarify the date of recognition and derecognition of some financial assets and liabilities,

with a new exception relating to the derecognition of a financial liability (or part of a financial liability) settled through an electronic cash transfer system. Applying the exception, an entity is permitted to derecognise a financial liability at an earlier date if, and only if, the entity has initiated a payment instruction and specific conditions are met. The conditions for the exception are that the entity making the payment does not have:

- i. the practical ability to withdraw, stop or cancel the payment instruction;
- ii. the practical ability to access the cash used for settlement; and
- iii. significant settlement risk.

- (b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, covering contractual terms that can change cash flows based on contingent events (for example, interest rates linked to ESG targets), non-recourse features and contractually-linked instruments.
- (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), including a qualitative description of the nature of the contingent event, quantitative information about the possible changes to contractual cash flows that could result from those contractual terms and the gross carrying amount of financial assets and amortised cost of financial liabilities subject to these contractual terms.
- (d) Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The entity shall disclose the fair value of each class of investment and is no longer required to disclose the fair value of each investment. In addition, the amendments require the entity to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognised during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period; and any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognised during that reporting period.

B. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall, at initial recognition, disaggregate a portfolio into three groups of contracts: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately. Entities are required to present separately insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

C. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

- D. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

- E. IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, assets and liabilities on consolidated financial statements that are not classified as current or non-current accounts shall be classified by their nature and comparative liquidity. The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2023, except for the key audit matters and compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Consolidated Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Institutions and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2023.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) At fair value
- I. Financial assets and liabilities (including derivative instruments) at fair value through profit or loss;
- II. Financial assets at fair value through other comprehensive income; and
- III. Investment property (excluding participating policy liability-linked investment property and constructions in progress).
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- (c) Reinsurance contract assets, insurance contract liabilities, and reserve for foreign exchange valuation actuarially recognised in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and relevant regulations.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated

Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Consolidated Company's consolidated financial statements. Subsidiaries are all entities controlled by the Consolidated Company. The Consolidated Company controls an entity when the Consolidated Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Consolidated Company obtains control of the subsidiaries and ceases when the Consolidated Company loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Consolidated Company are eliminated. Accounting policies of subsidiaries have been adjusted when necessary to ensure consistency with the policies adopted by the Consolidated Company.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		
			June 30, 2024	December 31, 2023	June 30, 2023
The Company	Nan Shan General Insurance Company, Ltd.	Property insurance	100	100	100

(4) Accounting Policies Related to Key Audit Matters

A. Provision basis for insurance contract liabilities

All reserves of the Consolidated Company's life insurance business' insurance contracts (including investment contracts with discretionary participation features) recognised are based on "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and regulations relevant to insurance enterprises. Except for reserve for policy benefits, claims reserve and premium deficiency reserve with coverage period of more than one year, discount method does not apply to the rest. Explanations of provision basis regarding each reserve are as follows:

(a) Unearned premium reserve

For effective contracts with a coverage period under one year and casualty insurance with coverage period over one year, unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period.

(b) Claims reserve

Claims reserve for health insurance, life insurance, and casualty insurance with a coverage period under one year are provided based on claim experience and expenses of various insurance types and are calculated with actuarial principles. Besides, reserves are provided for "claims reported but not paid" and "claims incurred but not reported". For "claims reported but not paid", a reserve has been provided on an individual claim basis for each type of insurance. Claim reserves for the future payment on a regular basis are calculated by discount method. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recording.

(c) Reserve for policy benefit

Long-term insurance contracts are recognised and calculated based on the related regulation and calculation manual recorded by the authorities. The discount rate is based

on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recordation.

(d) Special reserve

- I. In particular for retention policies with a coverage of less than a year, special reserves include “catastrophe reserve” and “risk claim reserve”, which are provided in accordance with No. 19 and No. 20 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. Except for some reserve set aside for regulatory purpose, special reserve, after deducting income tax, shall be recognised as special reserve under equity. Additional provision for special reserve and amounts written-off or recovered with respect to special reserve shall be recognised and written-off or recovered from the special reserve under equity.
The release of risk claim reserve, net of tax, is to be appropriated as a special reserve under equity following the resolution adopted at the shareholders’ meeting in the following year. Such special reserve shall neither be distributed as dividends nor used in other ways without the approval of the Authority.
- II. As regulations of the Authority require that if fair value of investment property at the transition date is used as deemed cost, special reserve under insurance liability shall be fully set aside for the appreciation from investment property in excess of other adverse effects arising from the first-time adoption of IFRSs at the transition date. Additionally, according to Jin-Guan-Pao-Tzai Letter No. 10102515281 dated November 30, 2012, upon calculation of liability reserve needed to be strengthened in accordance with fair value standard of effective contract as stipulated in Jin-Guan-Pao-Tzai Letter No. 10102515285 dated November 27, 2012, life insurance enterprises are allowed to reclassify such amount from aforesaid special reserve to ‘Reserve for policy benefits-fair value of insurance contract liabilities’ from January 1, 2013. After the reclassification, 80% of the remainder, if any, shall be recovered in the first year or in five years and set aside as special reserve under equity upon approval of the competent authority.
- III. Profit and loss before tax (before dividends distribution) for participating life insurance should be assessed at each annual closing date in compliance with “The Method of Expense and Revenue Allocation to Participating and Non-participating Life Insurance”. “Special reserve – dividend payment reserve” should be recognised and written off at dividend declaration date. With negative balance of “special reserve – dividend payment reserve of participating insurance”, equal amount of “special reserve – dividend liability” should be recognised at the same time.

(e) Premium deficiency reserve

If the issued premiums of life insurance, health insurance, and annuity insurance contract with a coverage period of over one year are less than the net premium in compliance with regulation, the deficiency of subsequent periods should be recognised as premium deficiency reserve. The discount rate is based on the assumed interest rate of reserve of each insurance product which has been submitted to the Authority for review/recordation. In addition, potential claims and expenses are estimated for effective contracts yet to mature and casualty insurance contracts with a coverage period of over one year. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount should be recognised as premium deficiency reserve by product types.

B. Liability adequacy test

The Consolidated Company adopts gross premium valuation method for the liability adequacy test based on the entire contracts of the Consolidated Company, in accordance with “Actuarial Practice Guidelines” issued by the Actuarial Institute of The Republic of China. At each end of the reporting period, the test is performed by comparing the net carrying amount of insurance contract liabilities after deduction of deferred acquisition costs and related intangible assets with the present estimates of insurance contract future cash flows. If the net carrying amount is insufficient, the deficiency is charged to current expense or loss.

(5) Significant accounting policies for the interim period

A. Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

B. Income tax

(a) The income tax expense for the interim period is calculated in accordance with IAS 34 "Interim Financial Reporting" and relevant information is disclosed in line with the income tax policy.

(b) If a change in tax rate is related or substantively enacted in an interim period, the Consolidated Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Consolidated Company’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Except for the explanations related to significant accounting judgments, estimates, and uncertainties described in the key audit matters below, please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

Critical accounting estimates and assumptions

The Consolidated Company made accounting estimates based on reasonable expectations of future events. However, actual results may differ from these estimates, potentially leading to significant adjustments to the carrying amounts of assets and liabilities in the next financial year. Please refer to the following explanations for the estimates and assumptions that carry such risks.

Insurance contract liabilities

The Consolidated Company evaluates long-term insurance contract liabilities in compliance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”. The assumptions of mortality rate, morbidity rate, lapse rate, and discount rate are as follows: The mortality rate and discount rate are treated in accordance with relevant insurance regulations. The mortality rate is based on Taiwan Standard Ordinary Experience Mortality Table. The discount rate is based on the interest rate of reserve for policy benefit from newly issued contracts and treated in compliance with calculation basis for insurance products and relevant regulations submitted to the competent authority. The morbidity rate and lapse rate are based on the Consolidated Company’s past experience, industry experience, and experience obtained from reinsurers. The above assumptions are locked-in during price setting in accordance with related regulations. However, it is reasonably possible that changes in assumption from the competent authority may have an impact

on gains, losses, or equity. The liability adequacy test is conducted by discounting the future cash flows under the best estimate on valuation date by the Consolidated Company's overall return on investment. If the test result shows that the liability is inadequate, the entire deficiency is recognised in expenses and losses in the period. If there is a change in the future best estimate assumption, incremental reserve for adverse movement in such assumption shall be made.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Cash			
Cash on hand and petty cash	\$ 13,490	\$ 13,792	\$ 12,775
Checking and savings accounts	29,060,407	45,882,212	58,780,018
Cash equivalents			
Time deposits	51,073,442	25,630,757	24,607,881
Short-term bills	820,067	310,007	200,000
	<u>\$ 80,967,406</u>	<u>\$ 71,836,768</u>	<u>\$ 83,600,674</u>

A. As of June 30, 2024, December 31, 2023 and June 30, 2023, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure amount that best represents the cash and cash equivalents held by the Consolidated Company are \$80,967,406, \$71,836,768 and \$83,600,674, respectively.

B. The Consolidated Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. In addition, of the short-term bills held by the Consolidated Company, investments in notes issued under reverse repurchase agreements have obtained bonds as collateral. Information on the net amount of receiving financial collateral after offsetting is provided in Note 6(9).

C. Certain cash and cash equivalents are pledged as credit support collaterals for derivative instruments transactions, which are restricted and classified as guarantee deposits paid. For more information, please refer to Note 6(16).

D. The Consolidated Company's property insurance business' time deposits which are pledged as collateral are classified as other assets - guarantee deposits paid, please refer to Note 6(16).

(2) Receivables

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Notes receivable	\$ 377,188	\$ 421,170	\$ 386,982
Premiums receivable	389,880	331,101	249,713
Interest receivable	37,491,724	36,268,942	36,644,195
Investments receivable	211,704	4,433,111	24,821,302
Other receivables	4,286,328	4,033,049	7,246,669
Overdue receivable	4,461,257	3,421,602	103,587
Subtotal	47,218,081	48,908,975	69,452,448
Less : Allowance for bad debts	(4,498,272)	(3,464,393)	(363,424)
	<u>\$ 42,719,809</u>	<u>\$ 45,444,582</u>	<u>\$ 69,089,024</u>

A. The Consolidated Company transacts with a variety of counterparties all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Consolidated Company is not holding any collateral except interest receivable from loans.

B. Without consideration of the collateral held or other credit enhancements, the maximum

credit risk exposure amount that best represents the receivables held by the Consolidated Company and the information relating to credit risk of those receivables are provided in Note 13(3).

C. The aging analysis of receivables is as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Not past due / Up to 3 months	\$ 43,288,522	\$ 46,288,692	\$ 69,120,492
3 to 6 months	349,633	146,615	47,171
6 to 12 months	981,092	923,975	19,720
Over 12 months	2,598,834	1,549,693	265,065
	<u>\$ 47,218,081</u>	<u>\$ 48,908,975</u>	<u>\$ 69,452,448</u>

(3) Financial assets at fair value through profit or loss

	June 30, 2024	December 31, 2023	June 30, 2023
Financial assets mandatorily measured at fair value through profit and loss			
Derivative instruments	\$ 937,202	\$ 39,857,952	\$ 1,265,765
Listed stocks	198,727,994	171,590,623	157,408,689
Preferred stocks	12,011,280	11,861,876	11,682,780
Beneficiary certificates	347,440,987	350,177,125	346,417,843
Financial debentures	23,666,829	27,570,729	28,053,202
Structured time deposits	15,102,405	16,215,558	16,003,359
Foreign stocks	123,053,238	113,941,093	119,525,476
Foreign beneficiary certificates	273,862,222	266,865,183	268,556,701
Foreign bonds	8,603,886	8,612,551	10,871,058
Foreign asset securitisation	1,901,349	1,389,002	1,389,401
	<u>\$ 1,005,307,392</u>	<u>\$ 1,008,081,692</u>	<u>\$ 961,174,274</u>

The above-mentioned financial assets which are designated as applying overlay approach are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Listed stocks	\$ 198,727,994	\$ 171,590,623	\$ 157,408,689
Beneficiary certificates	347,440,987	350,177,125	346,417,843
Financial debentures	23,666,829	27,570,729	28,053,202
Structured time deposits	15,102,405	16,215,558	16,003,359
Foreign stocks	123,053,238	113,941,093	119,525,476
Foreign beneficiary certificates	273,862,222	266,865,183	268,556,701
Foreign bonds	8,038,752	7,808,459	9,709,869
Foreign asset securitisation	1,901,349	1,389,002	1,389,401
	<u>\$ 991,793,776</u>	<u>\$ 955,557,772</u>	<u>\$ 947,064,540</u>

A. The derivative instruments held by the Consolidated Company are as follows:

June 30, 2024		
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 73,112	\$ 32,709,600
Non-delivery forwards (Note 2)	864,090	101,892,000
	<u>\$ 937,202</u>	<u>\$ 134,601,600</u>
Financial liabilities		
Cross currency swaps	\$ 34,856,272	\$ 1,041,263,382
Non-delivery forwards (Note 2)	18,764,879	747,972,500
	<u>\$ 53,621,151</u>	<u>\$ 1,789,235,882</u>
December 31, 2023		
Financial assets	Carrying amount	Notional amount (Note 1)
Cross currency swaps	\$ 16,967,234	\$ 673,892,746
Non-delivery forwards (Note 2)	22,890,718	751,849,750
	<u>\$ 39,857,952</u>	<u>\$ 1,425,742,496</u>
Financial liabilities		
Cross currency swaps	\$ 4,540,233	\$ 378,383,663
Non-delivery forwards (Note 2)	747,272	82,927,200
	<u>\$ 5,287,505</u>	<u>\$ 461,310,863</u>
June 30, 2023		
Financial assets	Carrying amount	Notional amount (Note 1)
Non-delivery forwards (Note 2)	<u>\$ 1,265,765</u>	<u>\$ 81,143,360</u>
Financial liabilities		
Cross currency swaps	\$ 21,926,442	\$ 1,081,257,671
Non-delivery forwards (Note 2)	13,348,856	647,453,883
	<u>\$ 35,275,298</u>	<u>\$ 1,728,711,554</u>

Note 1: Notional amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the reporting period.

Note 2: As of June 30, 2024, December 31, 2023 and June 30, 2023, the notional amount sold in New Taiwan dollars are \$73,660,500, \$45,809,500 and \$39,287,900, respectively.

- B. The derivative instruments held by the Consolidated Company were for the purpose of hedging the exchange rate risk on foreign investments and interest rate risk on domestic/foreign investments. The derivative instruments are not applied to hedge accounting.
- C. The Consolidated Company entered into derivative contracts with financial institutions with good credit quality, which comply with regulatory requirements and reviewed by the Consolidated Company on a regular basis. In addition, for all derivative transactions that the Consolidated Company engaged in, in order to avoid foreign exchange risk and interest rate risk, the Consolidated Company has entered into master netting arrangements with counterparties. Information on offsetting derivative instruments and credit enhancement is provided in Note 6(9).

- D. The Consolidated Company has entered into master netting agreements or similar arrangements with counterparties for structured deposits. For detailed information on the offsetting of financial assets and liabilities, please refer to Note 6(9).
- E. Details of reclassification between profit or loss and other comprehensive income when financial assets were designated using overlay approach are as follows:

	For the three months ended June 30,	
	2024	2023
(Loss) gain reported under IFRS 9	\$ 32,460,339	\$ 31,792,241
Less: (Loss) gain that would have been reported if applied IAS 39	29,438,194	22,127,877
(Loss) gain on reclassification of financial assets at fair value through other comprehensive income using overlay approach	\$ 3,022,145	\$ 9,664,364
Effects of income tax benefit (expense) on other comprehensive income	(\$ 312,631)	(\$ 1,482,031)
	For the six months ended June 30,	
	2024	2023
(Loss) gain reported under IFRS 9	\$ 73,614,227	\$ 75,746,788
Less: (Loss) gain that would have been reported if applied IAS 39	57,871,555	41,603,543
(Loss) gain on reclassification of financial assets at fair value through other comprehensive income using overlay approach	\$ 15,742,672	\$ 34,143,245
Effects of income tax benefit (expense) on other comprehensive income	(\$ 2,889,522)	(\$ 4,842,474)

- F. The Consolidated Company has no financial assets at fair value through profit or loss pledged to others.

G. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	For the three months ended June 30,	
	2024	2023
Gain (loss) on valuation	\$ 5,352,532	(\$ 16,982,388)
Loss on disposal	(22,706,330)	(17,939,252)
Interest income	(21,347)	73,740
Dividend income	7,674,382	9,803,456
	<u>(\$ 9,700,763)</u>	<u>(\$ 25,044,444)</u>
	For the six months ended June 30,	
	2024	2023
Loss on valuation	(\$ 71,353,611)	(\$ 11,117,638)
(Loss) gain on disposal	(9,853,455)	10,667,672
Interest income	190,729	318,807
Dividend income	13,919,216	15,301,603
	<u>(\$ 67,097,121)</u>	<u>\$ 15,170,444</u>

(4) Financial assets at fair value through other comprehensive income

	June 30, 2024	December 31, 2023	June 30, 2023
Equity instruments			
Listed stocks	\$ 6,151,855	\$ 5,573,872	\$ 5,423,132
Unlisted stocks	288,334	257,031	228,644
Subtotal	<u>6,440,189</u>	<u>5,830,903</u>	<u>5,651,776</u>
Debt instruments			
Government bonds	29,601,919	38,489,235	46,936,833
Corporate bonds	12,673,403	12,447,827	12,099,497
Financial debentures	11,366,123	10,705,285	10,470,740
Foreign bonds	205,009,737	195,680,609	210,640,957
Foreign asset securitisation	9,804,589	6,961,599	6,736,696
Subtotal	<u>268,455,771</u>	<u>264,284,555</u>	<u>286,884,723</u>
Statutory deposits	(378,600)	(378,600)	(300,000)
Total	<u>\$ 274,517,360</u>	<u>\$ 269,736,858</u>	<u>\$ 292,236,499</u>

A. The Consolidated Company has classified equity instruments, that are not held for trading, as financial assets designated at fair value through other comprehensive income.

- B. Amounts recognised in profit or loss and comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	For the three months ended June 30,	
	2024	2023
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 397,920	\$ 205,729
Cumulative gain (loss) reclassified to retained earnings due to derecognition	\$ -	\$ -
Dividend income recognised in profit or loss		
Held by the end of the reporting period	\$ 23,145	\$ 39,848
Derecognised during the reporting period	-	-
	\$ 23,145	\$ 39,848
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	(\$ 5,479,390)	(\$ 4,408,807)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment loss (reversal of impairment loss)	1,498	17,053
Reclassified due to derecognition	(75,959)	(881,515)
	(\$ 5,553,851)	(\$ 5,273,269)
Interest income recognised in profit or loss	\$ 2,972,688	\$ 2,883,624

	For the six months ended June 30,	
	2024	2023
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	\$ 609,288	\$ 360,135
Cumulative gain (loss) reclassified to retained earnings due to derecognition	\$ -	\$ -
Dividend income recognised in profit or loss		
Held by the end of the reporting period	\$ 59,962	\$ 71,872
Derecognised during the reporting period	\$ -	\$ -
	<u>\$ 59,962</u>	<u>\$ 71,872</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value changes recognised in other comprehensive income	(\$ 9,698,655)	\$ 1,962,116
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment loss (reversal of impairment loss)	10,023	13,753
Reclassified due to derecognition	(849,762)	(1,813,415)
	<u>(\$ 10,538,394)</u>	<u>\$ 162,454</u>
Interest income recognised in profit or loss	<u>\$ 5,798,402</u>	<u>\$ 5,418,487</u>

C. Details of the Consolidated Company's financial assets at fair value through other comprehensive income as statutory deposits are provided in Note 6(16).

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 13(3).

(5) Financial assets at amortised cost

	June 30, 2024	December 31, 2023	June 30, 2023
Government bonds	\$ 128,021,043	\$ 128,153,721	\$ 116,914,629
Corporate bonds	21,738,159	21,737,736	22,237,306
Financial debentures	7,600,000	21,850,000	23,150,000
Structured time deposits	34,500,000	35,500,000	35,500,000
Foreign bonds	3,256,637,123	3,082,817,464	3,110,540,749
Foreign asset securitisation	66,173,447	64,364,713	61,952,066
	<u>3,514,669,772</u>	<u>3,354,423,634</u>	<u>3,370,294,750</u>
Loss allowance	(7,499,620)	(7,423,916)	(7,766,617)
Statutory deposits	(46,379,980)	(21,883,400)	(34,785,054)
	<u>\$ 3,460,790,172</u>	<u>\$ 3,325,116,318</u>	<u>\$ 3,327,743,079</u>

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the three months ended June 30,	
	2024	2023
Interest income	\$ 30,703,406	\$ 31,505,058
Impairment loss	(49,562)	(848,273)
Loss on disposal	(79,384)	(22,320)
	<u>\$ 30,574,460</u>	<u>\$ 30,634,465</u>
	For the six months ended June 30,	
	2024	2023
Interest income	\$ 60,607,560	\$ 59,744,801
Impairment reversal (loss)	344,402	(826,988)
(Loss) gain on disposal	(574,684)	1,051,696
	<u>\$ 60,377,278</u>	<u>\$ 59,969,509</u>

Gain or loss on disposal of the financial assets at amortised cost are arising from early redemption by issuers, infrequent sale or insignificant in value both individually and in aggregate, sale prior to the approaching maturity date, and early disposal due to increased credit risk.

- B. The Consolidated Company has engaged in repurchase agreements. For detailed information on the transfer of related financial assets, please refer to Note 6(8).
- C. The Consolidated Company has entered into master netting agreements or similar arrangements with counterparties for structured time deposits. For detailed information on the offsetting of financial assets and liabilities, please refer to Note 6(9).
- D. Details of the Consolidated Company's financial assets at amortised cost pledged to others as collateral are provided in Note 6(16).
- E. Information relating to credit risk of financial assets at amortised cost is provided in Note 13(3).

(6) Investments accounted for using the equity method

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Associates			
Fuh Hwa Securities Investment Trust Co., Ltd.	\$ 2,807,450	\$ 2,809,224	\$ 2,637,198
Nan Shan Plaza Property Management Co., Ltd.	5,292	7,057	5,728
	<u>\$ 2,812,742</u>	<u>\$ 2,816,281</u>	<u>\$ 2,642,926</u>

	2024	2023
At January 1	\$ 2,816,281	\$ 5,591
Addition of investments accounted for using equity method	-	2,763,845
Earnings distribution of investments accounted for using equity method	(278,184)	(221,108)
Share of profit or loss of investments accounted for using equity method	268,833	92,814
Share of other comprehensive income of investment accounted for using equity method	5,812	1,784
At June 30	<u>\$ 2,812,742</u>	<u>\$ 2,642,926</u>

- A. The Consolidated Company acquired a 30% equity interest of Nan Shan Plaza Property Management Co., Ltd, and a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co., Ltd. (“Fuh Hwa Securities Trust”). For further information, please refer to Note 16(2).
- B. On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Trust, becoming the single largest shareholder of the company. Though the Consolidated Company designated two representatives to serve as directors of the Fuh Hwa Securities Trust, they only occupy two out of seven director seats and do not have the actual ability to lead the relevant activities, which indicated the Consolidated Company does not have control over but have significant influence on Fuh Hwa Securities Trust.

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(7) Structured entities

A. In accordance with IFRS 12, 'Disclosure of Interests in Other Entities', the information about structured entities that are not controlled by the Consolidated Company is listed below:

Type of structured entity	June 30, 2024 Book Value	December 31, 2023 Book Value	June 30, 2023 Book Value	Nature and Purpose
Private funds	\$ 158,115,558	\$ 151,305,609	\$ 153,648,538	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
Securitised financial asset products	77,879,385	72,714,793	70,077,622	Transfer of structured entity's asset related risks to investors through the issuance of bonds, in order to provide an investing opportunity for investors.
Real estate securitisation products	16,401,031	16,635,180	16,622,768	Through issuing beneficiary securities, commissioned institutions provide investors with opportunities to participate in gaining profits from real estate market trading, rent and appreciation.
Infrastructure funds	49,397,242	51,206,900	50,234,686	An investment fund established and operated by the issuing institution through private placement for certain investors. Through the restricted investing activities of the fund, investors obtain long-term capital gains.
	<u>\$ 301,793,216</u>	<u>\$ 291,862,482</u>	<u>\$ 290,583,614</u>	

B. The equities of structured entities that are not included in the Consolidated Company's consolidated financial statements are recognised under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost. The potential losses of such entities, derived from the maximum exposure amount, are the book values of the held assets. In addition, for market risk exposures resulting from contract clauses that limit investment positions and issuance terms, the Consolidated Company has considered related market risk management approaches. Please refer to Note 13 for details.

(8) Transfer of financial asset

A. The Consolidated Company's government bonds and corporate bonds sold under repurchase agreements are transferred financial assets that are not derecognised in their entirety. The Consolidated Company cannot sell or pledge such securities within the transfer period; however, related risks and returns are still retained, and thus, they are not derecognised in their entirety.

B. The Consolidated Company's carrying amount of transferred financial assets that are not derecognised in their entirety and related financial liabilities are as follows:

Type of financial asset	June 30, 2024		December 31, 2023		June 30, 2023	
	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at amortised cost						
Bonds sold under repurchase agreements	<u>\$ 16,886,181</u>	<u>\$ 9,703,644</u>	<u>\$ 9,465,109</u>	<u>\$ 5,738,950</u>	<u>\$ 3,393,945</u>	<u>\$ 2,211,884</u>

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(9) Offsetting financial assets and financial liabilities

- A. The Consolidated Company has engaged in financial instruments transactions that were not in conformity with IAS 32 paragraph 42's offsetting requirements. However, the Consolidated Company has entered into enforceable master netting arrangements or similar agreements with counterparties, such as derivatives, structured time deposits, reverse repurchase agreements and repurchase agreements. Upon the event of a breach in agreement (default, insolvency, or bankruptcy) by a party, the counterparty may set-off the netting arrangement or pursue legal action against the collateral in accordance with their agreements. The amount received (paid) for the collateral is the fair value of the collateral. However, the offsetting amount is limited to the total amount of recognised financial assets (liabilities).
- B. The following table provides related information on enforceable master netting arrangements or similar agreements that are financial assets and liabilities:

June 30, 2024						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 50,529,005	\$ -	\$ 50,529,005	\$ 5,445,353	\$ -	\$ 45,083,652
Reverse repurchase agreements	820,067	-	820,067	799,053	-	21,014
	<u>\$ 51,349,072</u>	<u>\$ -</u>	<u>\$ 51,349,072</u>	<u>\$ 6,244,406</u>	<u>\$ -</u>	<u>\$ 45,104,666</u>

Financial Liabilities

Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 53,621,151	\$ -	\$ 53,621,151	\$ 29,722,601	\$ 6,811,904	\$ 17,086,646
Repurchase agreements	9,703,644	-	9,703,644	16,886,181	-	-
	<u>\$ 63,324,795</u>	<u>\$ -</u>	<u>\$ 63,324,795</u>	<u>\$ 46,608,782</u>	<u>\$ 6,811,904</u>	<u>\$ 17,086,646</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

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December 31, 2023

Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 91,562,415	\$ -	\$ 91,562,415	\$ 8,101,466	\$ 21,225,031	\$ 62,235,918
Reverse repurchase agreements	310,007	-	310,007	314,367	-	-
	<u>\$ 91,872,422</u>	<u>\$ -</u>	<u>\$ 91,872,422</u>	<u>\$ 8,415,833</u>	<u>\$ 21,225,031</u>	<u>\$ 62,235,918</u>
Financial Liabilities						
Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 5,287,505	\$ -	\$ 5,287,505	\$ 5,287,505	\$ -	\$ -
Repurchase agreements	5,738,950	-	5,738,950	9,465,109	-	-
	<u>\$ 11,026,455</u>	<u>\$ -</u>	<u>\$ 11,026,455</u>	<u>\$ 14,752,614</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

June 30, 2023						
Financial Assets						
Description	Gross amounts of recognised financial assets (a)	Offset gross amounts of recognised financial liabilities (b)	Net amount of financial assets presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral received (e)	
Derivative instruments and structured time deposits	\$ 52,757,903	\$ -	\$ 52,757,903	\$ 4,203,688	\$ -	\$ 48,554,215
Reverse repurchase agreements	200,000	-	200,000	206,795	-	-
	<u>\$ 52,957,903</u>	<u>\$ -</u>	<u>\$ 52,957,903</u>	<u>\$ 4,410,483</u>	<u>\$ -</u>	<u>\$ 48,554,215</u>
Financial Liabilities						
Description	Gross amounts of recognised financial liabilities (a)	Offset gross amounts of recognised financial assets (b)	Net amount of financial liabilities presented in balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet		Net amount (Note 2) (f)=(c)-(d)-(e)
				Financial instruments (Note 1) (d)	Cash collateral pledged (e)	
Derivative instruments	\$ 35,275,298	\$ -	\$ 35,275,298	\$ 17,046,932	\$ 3,291,281	\$ 14,937,085
Repurchase agreements	2,211,884	-	2,211,884	3,393,945	-	-
	<u>\$ 37,487,182</u>	<u>\$ -</u>	<u>\$ 37,487,182</u>	<u>\$ 20,440,877</u>	<u>\$ 3,291,281</u>	<u>\$ 14,937,085</u>

Note 1: Including enforceable master netting arrangements and non-cash financial collateral.

Note 2: The expressed amount is zero if the amount of received or pledged collateral exceeds the net of recognised financial assets and liabilities.

(10) Investment property

	June 30, 2024	December 31, 2023	June 30, 2023
Measured subsequently using the fair value model	\$ 207,132,052	\$ 213,135,929	\$ 213,480,682
Measured subsequently using the cost model	7,481,160	5,753,855	4,917,085
	<u>\$ 214,613,212</u>	<u>\$ 218,889,784</u>	<u>\$ 218,397,767</u>

A. Measured subsequently using the fair value model

	Land	Buildings and constructions	Right-of-use assets	Prepayments for buildings and land	Total
At January 1, 2024	\$ 66,848,594	\$ 52,259,462	\$ 94,027,873	\$ -	\$ 213,135,929
Additions-from acquisitions	9,131	2,277	-	1,179,136	1,190,544
Additions-from subsequent expenditures	-	131,300	-	-	131,300
Transferred from property and equipment	93,192	112,077	-	-	205,269
Transferred from prepayments for buildings and lands	952,829	226,307	- (	1,179,136)	-
Disposals	(4,022,841)	(1,541,246)	-	- (	5,564,087)
Transferred to property and equipment	(707,836)	(82,855)	-	- (	790,691)
Net gain (loss) from fair value	60,840	(305,381)	(817,651)	- (	1,062,192)
Adjustment of lease liabilities remeasurement	-	- (	44,761)	- (	44,761)
Others	-	(69,259)	-	- (	69,259)
At June 30, 2024	<u>\$ 63,233,909</u>	<u>\$ 50,732,682</u>	<u>\$ 93,165,461</u>	<u>\$ -</u>	<u>\$ 207,132,052</u>

	Land	Buildings and constructions	Right-of-use assets	Total
At January 1, 2023	\$ 65,673,038	\$ 51,301,801	\$ 75,852,352	\$ 192,827,191
Additions-from acquisitions (Note)	-	403,478	16,366,015	16,769,493
Additions-from subsequent expenditures	-	4,360	-	4,360
Transferred from construction in progress	-	1,789,513	-	1,789,513
Transferred from prepayments for buildings and lands	-	-	2,716,770	2,716,770
Transferred to property and equipment	(15,990)	(31,195)	-	(47,185)
Net gain (loss) from fair value	169,134	(33,612)	(704,172)	(568,650)
Adjustment of lease liabilities remeasurement	-	-	(2,780)	(2,780)
Others	-	(8,030)	-	(8,030)
At June 30, 2023	<u>\$ 65,826,182</u>	<u>\$ 53,426,315</u>	<u>\$ 94,228,185</u>	<u>\$ 213,480,682</u>

Note: The additions to right-of-use assets include the present value after discounting of all lease payments during the lease period amounting to \$16,347,522.

The fair value of investment property held by the Consolidated Company is based on valuations performed by independent valuers, following “Regulation on Real Estate Appraisal”. In accordance with “Regulations Governing the Preparation of Financial reports by Insurance Companies”, two or more joint appraisers firms should be appointed for a single item whose valuation amount is more than TWD 1 billion. If the investment properties were acquired before May 11, 2020, valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted based on the nature, location or condition of the individual asset. If the investment properties were acquired after May 11, 2020, valuations are performed using valuation techniques such as income approach and cost approach according to Regulations Governing the Preparation of Financial Reports by Insurance Enterprise. Information on valuation reports primarily used by the Consolidated Company is as follows:

(a) Appointed joint appraisers firms, appraiser’s name and valuation date are as follows:

Appraiser firm	Appraiser	Valuation date
REPro International Real Estate Appraisers Firm	Tsai, Yu-Hsiang	June 30, 2023, December 31, 2023, and June 30, 2024
	Hsu, Hsiang-Yi	June 30, 2023, December 31, 2023, and June 30, 2024
Sin Yi Real Estate Appraisers Firm	Wang, Shih-Ming	June 30, 2023, December 31, 2023, and June 30, 2024
	Tsai, Wen-Che	June 30, 2023, December 31, 2023, and June 30, 2024
	Chih, Wei-Hsin	June 30, 2023, December 31, 2023, and June 30, 2024
	Chi, Liang-An	June 30, 2023, December 31, 2023, and June 30, 2024
CCIS Real Estate Joint Appraisers Firm	Wu, Chih-Hao	June 30, 2023, December 31, 2023, and June 30, 2024
	Li, Wei-Ju	June 30, 2023, December 31, 2023, and June 30, 2024
Savills Real Estate Appraiser Firm	Tai, Kuang-Ping	June 30, 2023, December 31, 2023, and June 30, 2024
	Yeh, Yu-Fen	June 30, 2023 and December 31, 2023
	Chang, Hung-Kai	June 30, 2023, December 31, 2023, and June 30, 2024
	Chang, Yi-Chih	June 30, 2023, December 31, 2023, and June 30, 2024
	Ye, Shi-Yu	June 30, 2023 and December 31, 2023
	Wu, Cheng-Yeh	June 30, 2023, December 31, 2023, and June 30, 2024
Colliers International Real Estate Appraisers Firm	Ke, Feng-Ru	June 30, 2023, December 31, 2023, and June 30, 2024
	Ku, Chien-Hui	June 30, 2023, December 31, 2023, and June 30, 2024
Elite Appraisers Firm	Chen, Yu-Lin	June 30, 2023
	Lo, Yi-Hui	June 30, 2023
	Chan, Hsiu-Yin	June 30, 2023

Appraiser firm	Appraiser	Valuation date
Zhan-Mao Real Estate	Yang, Zhe-Hao	June 30, 2023
Appraisers Firm	Yang, Shang-Hung	June 30, 2023
V-Land International Appraisers	Wang, Si-Jhong	June 30, 2023 and December 31, 2023
Joint Firm	Liang, You-Qi	June 30, 2024
	Li, Tai-Li	June 30, 2024
Cushman & Wakefield Real	Lee, Ken-Yuan	December 31, 2023 and June 30, 2024
Estate Appraisers Firm	Hu, Chun-Chun	December 31, 2023 and June 30, 2024
	Tsai, Chia-He	December 31, 2023 and June 30, 2024
Hwan Yu Real Estate	Chao, Hui-Mei	June 30, 2023 and December 31, 2023
Appraisers Joint Firm		

(b) Details of appropriateness and reasonability of valuation methods, key assumptions and inputs:

I. Investment properties acquired before May 11, 2020

For the Consolidated Company's properties used as storefront located in a commercial district and offices, due to convenient transportation, active trading and market competitiveness, comparative price and income price are generally informative for value of these properties. Comparison approach is used to analyse based on the transaction price of similar property with substitutability. Income approach is estimated based on rental income and reasonable capitalisation rates.

For commercial property and right-of-use assets like hypermarket and superficies products, they are primarily leased to others to collect long-term steady rental income. Due to its profitability, in general, its value is mainly based on income price and supplementary based on comparative price or cost.

For the superficies, the main evaluation approaches are the income approach, cost approach, land development analysis and comparison approach. After development of the superficies is completed, the evaluation approach of the building completed from the superficies is changed using the abovementioned evaluation approaches based on its nature.

II. Investment properties acquired after May 11, 2020

Investment property which has been engaged a lease contract with the lease term over one year is evaluated by income approach. Cash flows, analysis period and discount rate included in valuation techniques shall meet the regulations specified in "Regulations Governing the Preparation of Financial reports by Insurance Companies". However, investment property which has not been engaged a lease contract with the lease term over one year or has been terminated or cancelled over one year is evaluated using cost approach. If investment property cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", it can be measured at replacement cost to assess its fair value. In addition, according to the comments on investment property subsequently measured at fair value released based on "Regulations Governing the Preparation of Financial reports by Insurance Companies", land development analysis approach is not applicable for cost approach, and the fair value shall be recognised based on the regular price referring to the valuation reports issued under "Regulations on Real Estate Appraisal" if regular price is lower than the value assessed based on income approach or cost approach.

Because the right-of-use assets are acquired after May 11, 2020 and cannot be assessed based on "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", they are measured at replacement cost. In addition, for those whose regular price is lower than cost, the fair value is measured at regular price.

III. The key inputs used are listed as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Income approach			
Capitalisation rate	0.66%~4.33%	0.66%~4.21%	0.32%~6.41%
Discount rate	3.00%~5.00%	2.87%~4.86%	2.10%~4.88%
Cost approach			
Comprehensive interest of capital rate	0.76%~11.85%	0.73%~11.55%	0.69%~11.68%

The higher the abovementioned rate, the lower the fair value. On the contrary, the lower the abovementioned rate, the higher the fair value.

- (c) Information on lease liabilities for right-of-use assets classified as investment properties is provided in Note 6(13).
- (d) For information on investment properties with restricted use, please refer to Note 6(29).

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B. Measured subsequently using the cost model

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2024</u>				
Cost	\$ 2,156,552	\$ 1,438,487	\$ 2,613,298	\$ 6,208,337
Accumulated depreciation	-	(454,482)	-	(454,482)
	<u>\$ 2,156,552</u>	<u>\$ 984,005</u>	<u>\$ 2,613,298</u>	<u>\$ 5,753,855</u>
<u>2024</u>				
Beginning balance	\$ 2,156,552	\$ 984,005	\$ 2,613,298	\$ 5,753,855
Additions-from acquisitions (Note)	-	2,166	1,753,573	1,755,739
Additions-from subsequent expenditures	-	387	-	387
Disposals-cost	-	(7,645)	-	(7,645)
Disposals-accumulated depreciation	-	7,645	-	7,645
Amortisation of direct lease costs	-	(10,376)	-	(10,376)
Depreciation charge	-	(18,400)	-	(18,400)
Others	-	(45)	-	(45)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 957,737</u>	<u>\$ 4,366,871</u>	<u>\$ 7,481,160</u>
<u>At June 30, 2024</u>				
Cost	\$ 2,156,552	\$ 1,422,974	\$ 4,366,871	\$ 7,946,397
Accumulated depreciation	-	(465,237)	-	(465,237)
	<u>\$ 2,156,552</u>	<u>\$ 957,737</u>	<u>\$ 4,366,871</u>	<u>\$ 7,481,160</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$0 and \$284,578, respectively.

	Land	Buildings and constructions	Construction in progress	Total
<u>At January 1, 2023</u>				
Cost	\$ 2,156,552	\$ 1,462,941	\$ 2,586,865	\$ 6,206,358
Accumulated depreciation	-	(418,172)	-	(418,172)
	<u>\$ 2,156,552</u>	<u>\$ 1,044,769</u>	<u>\$ 2,586,865</u>	<u>\$ 5,788,186</u>
<u>2023</u>				
Beginning balance	\$ 2,156,552	\$ 1,044,769	\$ 2,586,865	\$ 5,788,186
Additions-from acquisitions (Note)	-	-	950,468	950,468
Additions-from subsequent expenditures	-	562	-	562
Construction in progress completed and transferred out	-	-	(1,789,513)	(1,789,513)
Amortisation of direct lease costs	-	(14,472)	-	(14,472)
Depreciation charge	-	(18,130)	-	(18,130)
Others	-	(16)	-	(16)
Ending balance	<u>\$ 2,156,552</u>	<u>\$ 1,012,713</u>	<u>\$ 1,747,820</u>	<u>\$ 4,917,085</u>
<u>At June 30, 2023</u>				
Cost	\$ 2,156,552	\$ 1,449,015	\$ 1,747,820	\$ 5,353,387
Accumulated depreciation	-	(436,302)	-	(436,302)
	<u>\$ 2,156,552</u>	<u>\$ 1,012,713</u>	<u>\$ 1,747,820</u>	<u>\$ 4,917,085</u>

Note: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$114 and \$346,355, respectively.

Because the Consolidated Company cannot reliably determine the fair value of its construction in progress on an on-going basis, constructions in progress is measured at cost. Once the fair value can be reliably determined or when construction is complete, the property is measured at fair value.

- C. For information on the fair value of investment property, please refer to Note 12(2).
- D. Rental income from investment property and direct operating expenses arising from investment property are shown below (excluding depreciation):

	For the three months ended June 30,	
	2024	2023
Rental income from investment property	\$ 1,137,069	\$ 1,108,931
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 287,324	\$ 247,347
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 34,657	\$ 51,304
	For the six months ended June 30,	
	2024	2023
Rental income from investment property	\$ 2,266,908	\$ 2,196,481
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 543,025	\$ 504,166
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 81,568	\$ 85,640

- E. Consolidated Company recognised rental income of the variable lease payments based on operating lease contracts, which are listed as follows:

For the three months ended June 30,		For the six months ended June 30,	
2024	2023	2024	2023
\$ 6,834	\$ 7,217	\$ 15,073	\$ 12,703

For the information on the analysis of due date of the lease receivables under the operating leases of the Consolidated Company as of June 30, 2024, December 31, 2023 and June 30, 2023, please refer to Note 6(14).

- F. The information on investment property, including construction in progress, acquired by the Consolidated Company of June 30, 2024, December 31, 2023 and June 30, 2023 is as follows:
- (a) On April 13, 2017, the Consolidated Company's life insurance business signed a construction agreement, "New Land Construction on No. 297, 288, 289, 298, 299, 299-1, 300, 302 and 303 in Xiaobei sections of North District, Tainan City" with Fut Su Construction Co., Ltd., and the total contract price was \$2,467,000. Between 2021 to 2023, the Consolidated Company successively signed incremental agreements, and the total modified contract prices was \$3,319,001. As of June 30, 2024, December 31, 2023 and June 30, 2023, the Consolidated Company has paid \$3,003,666, \$2,608,834 and \$2,404,651 for the construction, respectively.

- (b) On February 15, 2019, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 6 Plaza" with Fut Su Construction Co. Ltd., and the total contract price was \$1,198,539. In addition, due to the completion of the detailed design on April 8, 2021, and the total modified contract price was \$1,266,024. On March 20, 2023, the total project settlement amount of \$1,186,008 was confirmed, and the Consolidated Company has paid the full amount.
 - (c) On July 7, 2020, the Consolidated Company's life insurance business signed a contract for the "Construction in Progress of Nan Shan Taichung 7 Plaza" with Feng Hsing Construction Engineering Co., Ltd., total contract price was \$566,011. Subsequently, on November 1, 2022, the Consolidated Company signed an incremental agreement, and the total modified contract price was \$590,911. On April 30, 2023, the total project settlement amount of \$577,836 was confirmed, and the Consolidated Company has paid the full amount.
 - (d) On March 1, 2023, the Consolidated Company's life insurance business signed a construction agreement of "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Da Cin Construction Co., Ltd., and the total contract price was \$7,638,750. As of June 30, 2024, December 31, 2023 and June 30, 2023, the Consolidated Company has paid \$778,047, \$457,363, and \$196,948 for the construction, respectively.
 - (e) On January 18, 2024, the Consolidated Company's life insurance business signed a contract with Mutual Construction Co., Ltd. for a 70-year superficies project on land located at No. 27 and 27-1, Section 4, Xinyi District, Taipei City, with a contract amount of \$16,310,000. As of June 30, 2024, a cumulative amount of \$876,398 has been paid.
- G. The right-of-use assets of the Consolidated Company were as follows:
- (a) On August 13, 2014, the Consolidated Company's life insurance business signed a "Construction and Operation Agreement of Development Project of Shulin Shuxin Section Public-owned Land" with Economic Development Department, New Taipei City Government. The total contract price was based on the valuation reports issued by the real estate appraisers. The Consolidated Company won the bids for the project with \$381,111.
 - (b) On October 12, 2012, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price is \$28,232,400 determined by referring to the valuation reports issued by the real estate appraisers and by bids.
 - (c) On December 25, 2012, the Consolidated Company's life insurance business signed a "State-owned Land for Nonpublic Use Superficies Contract" with National Property Administration, Central Taiwan Office, and acquired the Land Lot No. 1021, 1039 and 1041 Lianwu Section, East District, Taichung City. The total contract price was referred to the valuation reports issued by the real estate appraisers and was acquired by bids with \$577,243.
 - (d) On March 30, 2020, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No. 27 and 27-1, Xinyi Section Four, Xinyi District, Taipei City Contracts" with the National Property Administration, Ministry of Finance. The contract price was \$31,276,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids.

(e) On December 18, 2019, the Consolidated Company's life insurance business signed a "City Land Development and Registered Superficies of Land Lot No.32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City Contracts" with Taipei City Government. The contract price was \$15,981,000 determined by referring to the valuation reports issued by the real estate appraisers and by bids, and the registration of superficies was completed on January 16, 2023.

H. Please refer to Note 9 for the information of aforesaid significant unrecognised contract commitments signed by the Consolidated Company.

(11) Loans

	June 30, 2024	December 31, 2023	June 30, 2023
Life insurance policy loans	\$ 82,026,638	\$ 81,865,517	\$ 80,193,169
Automatic policy loans	16,509,420	16,721,954	17,089,734
Secured loans	10,510,064	11,732,712	13,283,193
Less: Allowance for bad debts	(157,955)	(176,294)	(199,553)
	<u>\$ 108,888,167</u>	<u>\$ 110,143,889</u>	<u>\$ 110,366,543</u>

- A. Without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the loans held by the Consolidated Company and the information relating to credit risk of those loans are provided in Note 13(3).
- B. Life insurance policy loans and automatic policy loans are granted to the policyholders with their life and annuity insurance policies as collateral. Life insurance policy loans and automatic policy loans are approved according to certain limit of surrender charges or policy value reserve. If the amount of policy loans or automatic policy loans plus accrued interest exceeds policy value reserve, the policy will be suspended automatically. Hence, both life insurance policy loans and automatic policy loans have adequate policy value reserve as collateral. However, for the life insurance policy loans with collateral of the account value of investment-linked policy, allowance for bad debts should be made when their account value are not adequate to settle life insurance policy loans because of the dramatic decline in the fair value of investments.
- C. Secured loans are loans collateralised by real estate. In accordance with relevant laws and regulations of secured loans, "mortgage loans guidelines" and related internal operations articles, it can be loaned in the specific amount. All of the secured loans are made with collateral.

(12) Property and equipment

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayments for buildings and land	Total
<u>At January 1, 2024</u>									
Cost	\$ 10,255,527	\$ 8,051,781	\$ 193,705	\$ 2,145,503	\$ 4,732	\$ 851,124	\$ 33,121	\$ -	\$ 21,535,493
Accumulated depreciation	-	(3,068,615)	-	(1,200,203)	(4,510)	(383,480)	(27,773)	-	(4,684,581)
Carrying amount	<u>\$ 10,255,527</u>	<u>\$ 4,983,166</u>	<u>\$ 193,705</u>	<u>\$ 945,300</u>	<u>\$ 222</u>	<u>\$ 467,644</u>	<u>\$ 5,348</u>	<u>\$ -</u>	<u>\$ 16,850,912</u>
<u>2024</u>									
Beginning balance	\$ 10,255,527	\$ 4,983,166	\$ 193,705	\$ 945,300	\$ 222	\$ 467,644	\$ 5,348	\$ -	\$ 16,850,912
Additions-from acquisitions (Note 1)	-	26,095	205,988	23,825	-	34,676	4,075	298,545	593,204
Transferred from investment property	707,836	82,855	-	-	-	-	-	-	790,691
Disposals-cost	-	(660)	-	(179,441)	(1,118)	(136,871)	(1,565)	-	(319,655)
Disposals-accumulated depreciation	-	660	-	179,441	1,118	136,871	1,533	-	319,623
Depreciation charge (Note 2)	-	(86,017)	-	(103,101)	(146)	(80,404)	(1,479)	-	(271,147)
Transfer to investment property -cost	(93,192)	(115,144)	-	-	-	-	-	-	(208,336)
Transfer to investment property -accumulated depreciation	-	3,067	-	-	-	-	-	-	3,067
Revaluation increment of real estate	28,175	(18,899)	-	-	-	-	-	-	9,276
Others	-	(139,110)	-	-	-	-	-	-	(139,110)
Ending balance	<u>\$ 10,898,346</u>	<u>\$ 4,736,013</u>	<u>\$ 399,693</u>	<u>\$ 866,024</u>	<u>\$ 76</u>	<u>\$ 421,916</u>	<u>\$ 7,912</u>	<u>\$ 298,545</u>	<u>\$ 17,628,525</u>
<u>At June 30, 2024</u>									
Cost	\$ 10,898,346	\$ 7,886,918	\$ 399,693	\$ 1,989,887	\$ 3,614	\$ 748,929	\$ 35,631	\$ 298,545	\$ 22,261,563
Accumulated depreciation	-	(3,150,905)	-	(1,123,863)	(3,538)	(327,013)	(27,719)	-	(4,633,038)
Carrying amount	<u>\$ 10,898,346</u>	<u>\$ 4,736,013</u>	<u>\$ 399,693</u>	<u>\$ 866,024</u>	<u>\$ 76</u>	<u>\$ 421,916</u>	<u>\$ 7,912</u>	<u>\$ 298,545</u>	<u>\$ 17,628,525</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$2,045 and \$2,541, respectively.

Note 2: Including capitalized intangible assets amounting to \$3,655 and the donation of computer equipment to Nanshan Charity Foundation amounting to \$8.

	Land	Buildings and constructions	Construction in progress	Information equipment	Transportation equipment	Other equipment	Leasehold improvements	Total
<u>At January 1, 2023</u>								
Cost	\$ 10,341,553	\$ 7,556,205	\$ 658,544	\$ 1,989,850	\$ 4,732	\$ 550,720	\$ 34,090	\$ 21,135,694
Accumulated depreciation	-	(3,030,763)	-	(968,143)	(4,219)	(295,310)	(28,043)	(4,326,478)
Carrying amount	<u>\$ 10,341,553</u>	<u>\$ 4,525,442</u>	<u>\$ 658,544</u>	<u>\$ 1,021,707</u>	<u>\$ 513</u>	<u>\$ 255,410</u>	<u>\$ 6,047</u>	<u>\$ 16,809,216</u>
<u>2023</u>								
Beginning balance	\$ 10,341,553	\$ 4,525,442	\$ 658,544	\$ 1,021,707	\$ 513	\$ 255,410	\$ 6,047	\$ 16,809,216
Additions-from acquisitions (Note 1)	-	101,969	57,110	26,011	-	35,578	1,602	222,270
Transferred from investment property	15,990	31,195	-	-	-	-	-	47,185
Disposals-cost	(1,846)	(16,594)	-	(9,718)	-	(27,590)	(2,678)	(58,426)
Disposals-accumulated depreciation	-	13,663	-	9,718	-	27,039	1,913	52,333
Depreciation charge (Note 2)	-	(84,072)	-	(129,486)	(146)	(53,739)	(1,073)	(268,516)
Ending balance	<u>\$ 10,355,697</u>	<u>\$ 4,571,603</u>	<u>\$ 715,654</u>	<u>\$ 918,232</u>	<u>\$ 367</u>	<u>\$ 236,698</u>	<u>\$ 5,811</u>	<u>\$ 16,804,062</u>
<u>At June 30, 2023</u>								
Cost	\$ 10,355,697	\$ 7,672,775	\$ 715,654	\$ 2,006,143	\$ 4,732	\$ 558,708	\$ 33,014	\$ 21,346,723
Accumulated depreciation	-	(3,101,172)	-	(1,087,911)	(4,365)	(322,010)	(27,203)	(4,542,661)
Carrying amount	<u>\$ 10,355,697</u>	<u>\$ 4,571,603</u>	<u>\$ 715,654</u>	<u>\$ 918,232</u>	<u>\$ 367</u>	<u>\$ 236,698</u>	<u>\$ 5,811</u>	<u>\$ 16,804,062</u>

Note 1: Including the capitalised amount from depreciation expense of right-of-use assets and interest expense of lease liabilities amounting to \$2,306 and \$2,284, respectively.

Note 2: Including capitalised intangible assets amounting to \$965.

For information on investment properties with restricted use, please refer to Note 6(29).

(13) Leasing arrangements — lessee

- A. The Consolidated Company leases various assets including buildings, offices, superficieses and other equipment. Rental contracts for buildings, offices and other equipment are typically made for periods of 1 to 20 years. Additionally, the leased land with registered superficieses has a rental period of 50 to 70 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Low-value assets comprise of office equipment.
- C. The right-of-use assets of superficieses were reported in investment property and right-of-use assets. The carrying amount of investment property is provided in Note 6(10).
- D. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2024</u>				
Cost	\$ 1,234,385	\$ 208,493	\$ 67,268	\$ 1,510,146
Accumulated depreciation	(608,277)	(15,947)	(58,886)	(683,110)
Carrying amount	<u>\$ 626,108</u>	<u>\$ 192,546</u>	<u>\$ 8,382</u>	<u>\$ 827,036</u>
<u>2024</u>				
Beginning balance	\$ 626,108	\$ 192,546	\$ 8,382	\$ 827,036
Additions	175,750	-	47,329	223,079
Disposals-cost	(151,715)	-	(48,964)	(200,679)
Disposals-accumulated depreciation	151,715	-	48,964	200,679
Lease modifications	(3,813)	161	-	(3,652)
Depreciation charge (Note)	(173,029)	(2,351)	(5,505)	(180,885)
Adjustment of lease liabilities remeasurement	-	2,739	-	2,739
Ending balance	<u>\$ 625,016</u>	<u>\$ 193,095</u>	<u>\$ 50,206</u>	<u>\$ 868,317</u>
<u>At June 30, 2024</u>				
Cost	\$ 1,254,607	\$ 211,393	\$ 65,633	\$ 1,531,633
Accumulated depreciation	(629,591)	(18,298)	(15,427)	(663,316)
Carrying amount	<u>\$ 625,016</u>	<u>\$ 193,095</u>	<u>\$ 50,206</u>	<u>\$ 868,317</u>

Note : Including capitalised investment property and property and equipment amounting to \$2,045.

	Buildings	Superficies	Other equipment	Total
<u>At January 1, 2023</u>				
Cost	\$ 1,261,755	\$ 232,308	\$ 67,301	\$ 1,561,364
Accumulated depreciation	(601,254)	(10,885)	(41,039)	(653,178)
Carrying amount	<u>\$ 660,501</u>	<u>\$ 221,423</u>	<u>\$ 26,262</u>	<u>\$ 908,186</u>
<u>2023</u>				
Beginning balance	\$ 660,501	\$ 221,423	\$ 26,262	\$ 908,186
Additions	172,364	-	1,413	173,777
Disposals-cost	(145,779)	-	(1,263)	(147,042)
Disposals-accumulated depreciation	145,779	-	1,263	147,042
Lease modifications	(8,652)	-	(183)	(8,835)
Depreciation charge (Note)	(169,599)	(2,573)	(9,558)	(181,730)
Ending balance	<u>\$ 654,614</u>	<u>\$ 218,850</u>	<u>\$ 17,934</u>	<u>\$ 891,398</u>
<u>At June 30, 2023</u>				
Cost	\$ 1,279,688	\$ 232,308	\$ 67,268	\$ 1,579,264
Accumulated depreciation	(625,074)	(13,458)	(49,334)	(687,866)
Carrying amount	<u>\$ 654,614</u>	<u>\$ 218,850</u>	<u>\$ 17,934</u>	<u>\$ 891,398</u>

Note : Including capitalised investment property and property and equipment amounting to \$2,420.

E. The Consolidated Company's life insurance business signed the "Investment contract of Sharon Park and parking lot in Tamsui District, New Taipei City" with Economic Development Department, New Taipei City Government on January 15, 2021. The total contract price was \$62,000 determined by referring to the valuation reports issued by the real estate appraisers and by bid. The Consolidated Company referred to the purpose of holding to classified as right-of-use assets and investment properties, respectively. As of June 30, 2024, the carrying amount of right-of-use assets and investment properties was \$190,956 and \$13,029, respectively.

On June 29, 2023, the Consolidated Company's life insurance business signed a construction agreement of "Registered Superficies of Sharon Park and parking lot in Tamsui District, New Taipei City" with Chien Kuo Construction Co., Ltd., the total contract price was \$2,042,000. As of June 30, 2024, the carrying amount of property and equipment and investment properties was \$399,694 and \$89,988, respectively.

F. The information on profit and loss accounts relating to lease contracts is as follows:

Items affecting profit or loss	For the three months ended June 30,	
	2024	2023
Interest expense on lease liabilities	\$ 91,348	\$ 89,386
Expense on leases of low-value assets	-	300
(Gain) loss on lease modifications	(2,639)	121

Items affecting profit or loss	For the six months ended June 30,	
	2024	2023
Interest expense on lease liabilities	\$ 182,212	\$ 178,364
Expense on leases of low-value assets	300	600
(Gain) loss on lease modifications	(2,593)	49

G. As of June 30, 2024, December 31, 2023, and June 30, 2023, the Consolidated Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.5226% to 3.8890%, from 0.3024% to 3.8890%, and from 0.4766% to 3.5250%, respectively.

H. For the six months ended June 30, 2024 and 2023, the Consolidated Company's total cash outflows for leases are \$4,011,049 and \$3,987,414 respectively.

I. Most of the property lease contracts of the Consolidated Company include the option of terminating the lease in advance, and a few other lease contracts include the option of extending the lease. As the exercise of this option is uncertain, the condition will not be reflected when measuring lease liabilities.

J. The movements of lease liabilities are as follows:

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2024	\$ 32,181,278	\$ 132,377	\$ 607,761	\$ 32,921,416
Additions (Note 1)	-	-	223,159	223,159
Adjustment of lease liabilities remeasurement	(44,761)	2,739	-	(42,022)
Lease modifications and others (Note 1, 2)	-	161	(6,363)	(6,202)
Interest expense recognised	462,469	2,556	4,306	469,331
Lease payments (Note 3)	(3,823,303)	(2,347)	(185,092)	(4,010,742)
At June 30, 2024	<u>\$ 28,775,683</u>	<u>\$ 135,486</u>	<u>\$ 643,771</u>	<u>\$ 29,554,940</u>

	Investment property- Superficies	Right-of-use assets- Superficies	Right-of-use assets- Others	total
At January 1, 2023	\$ 18,686,748	\$ 154,083	\$ 657,404	\$ 19,498,235
Additions (Note 1)	16,347,522	-	173,710	16,521,232
Adjustment of lease liabilities remeasurement	(2,780)	-	-	(2,780)
Lease modifications and others (Note 1, 2, 3)	-	-	(9,104)	(9,104)
Interest expense recognised	521,456	2,300	3,247	527,003
Lease payments	(3,802,678)	(2,223)	(184,598)	(3,989,499)
At June 30, 2023	<u>\$ 31,750,268</u>	<u>\$ 154,160</u>	<u>\$ 640,659</u>	<u>\$ 32,545,087</u>

Note 1: For the six months ended June 30, 2024 and 2023, the deductible for employees' dormitory amounted to \$80 and (\$67) respectively; the deductible for employee dormitory lease termination amounted to \$11 and \$0, respectively.

Note 2: For the six months ended June 30, 2024 and 2023, including exchange loss (gain) of \$54 and (\$20), respectively.

Note 3: For the six months ended June 30, 2024 and 2023, the lease liability contract modifications amounted to \$7 and \$298, respectively.

K. The Consolidated Company's lease contracts of multifunction printers contain variable lease payment terms that are linked to the actual use in multifunction printers. For the three months and six months ended June 30, 2024 and 2023, the variable lease payments are \$6,406, \$1,220, \$6,406 and \$2,912, respectively.

(14) Leasing arrangements – lessor

A. The Consolidated Company leases investment property. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Information on gain arising from operating lease agreements for the three months and six months ended June 30, 2024 and 2023 is provided in Note 6(10).

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
2023	\$ -	\$ -	2,167,109
2024	2,258,838	4,129,113	3,568,282
2025	4,244,894	3,553,901	2,979,288
2026	3,906,482	3,158,886	2,604,178
2027	3,429,403	2,778,807	2,334,700
2028	2,900,988	2,356,602	1,960,192
2029	2,055,775	1,791,334	1,706,070
After 2030	14,805,888	12,727,432	12,599,800
Total	<u>\$ 33,602,268</u>	<u>\$ 30,496,075</u>	<u>\$ 29,919,619</u>

(15) Intangible assets

Details of intangible assets are as follows:

	<u>Computer software</u>	<u>Goodwill</u>	<u>Licences</u>	<u>Total</u>
<u>At January 1, 2024</u>				
Cost	\$ 12,663,078	\$ 1,075,875	\$ 4,956,012	\$ 18,694,965
Accumulated amortisation	(3,450,123)	-	(1,531,578)	(4,981,701)
Carrying amount	<u>\$ 9,212,955</u>	<u>\$ 1,075,875</u>	<u>\$ 3,424,434</u>	<u>\$ 13,713,264</u>
<u>2024</u>				
Beginning balance	\$ 9,212,955	\$ 1,075,875	\$ 3,424,434	\$ 13,713,264
Additions-acquired separately (Note)	212,192	-	-	212,192
Disposals-cost	(104,731)	-	-	(104,731)
Disposals-accumulated amortisation	104,731	-	-	104,731
Amortisation charge	(365,240)	-	(386,172)	(751,412)
Ending balance	<u>\$ 9,059,907</u>	<u>\$ 1,075,875</u>	<u>\$ 3,038,262</u>	<u>\$ 13,174,044</u>
<u>At June 30, 2024</u>				
Cost	\$ 12,770,539	\$ 1,075,875	\$ 4,956,012	\$ 18,802,426
Accumulated amortisation	(3,710,632)	-	(1,917,750)	(5,628,382)
Carrying amount	<u>\$ 9,059,907</u>	<u>\$ 1,075,875</u>	<u>\$ 3,038,262</u>	<u>\$ 13,174,044</u>

	Computer software	Goodwill	Licences	Total
<u>At January 1, 2023</u>				
Cost	\$ 12,239,846	\$ 1,075,875	\$ 4,956,012	\$ 18,271,733
Accumulated amortisation	(2,852,857)	-	(897,212)	(3,750,069)
Carrying amount	<u>\$ 9,386,989</u>	<u>\$ 1,075,875</u>	<u>\$ 4,058,800</u>	<u>\$ 14,521,664</u>
<u>2023</u>				
Beginning balance	\$ 9,386,989	\$ 1,075,875	\$ 4,058,800	\$ 14,521,664
Additions-acquired separately (Note)	244,215	-	-	244,215
Disposals-cost	(117,258)	-	-	(117,258)
Disposals-accumulated amortisation	117,258	-	-	117,258
Amortisation charge	(372,179)	-	(276,213)	(648,392)
Ending balance	<u>\$ 9,259,025</u>	<u>\$ 1,075,875</u>	<u>\$ 3,782,587</u>	<u>\$ 14,117,487</u>
<u>At June 30, 2023</u>				
Cost	\$ 12,366,803	\$ 1,075,875	\$ 4,956,012	\$ 18,398,690
Accumulated amortisation	(3,107,778)	-	(1,173,425)	(4,281,203)
Carrying amount	<u>\$ 9,259,025</u>	<u>\$ 1,075,875</u>	<u>\$ 3,782,587</u>	<u>\$ 14,117,487</u>

Note: Including capitalised depreciation charge of property and equipment amounting to \$3,655 and \$965, and capitalised amortisation charge of intangible assets amounting to \$24 and \$0, for six months ended June 30, 2024 and 2023, respectively.

(16) Other assets

	June 30, 2024	December 31, 2023	June 30, 2023
Prepayments and temporary debits	\$ 647,675	\$ 657,975	\$ 597,770
Guarantee deposits paid	55,015,230	23,710,649	39,815,143
Others	58,345	58,345	58,345
	<u>\$ 55,721,250</u>	<u>\$ 24,426,969</u>	<u>\$ 40,471,258</u>

- A. As at June 30, 2024, December 31, 2023 and June 30, 2023, without consideration of the collateral held or other credit enhancements, the maximum credit risk exposure in respect of the amount that best represents the other assets held by the Consolidated Company are \$55,026,844, \$23,724,267 and \$39,827,201, respectively.
- B. The Consolidated Company's guarantee deposits paid are detailed as follows:
- (a) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 28, 29 and 30, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set \$800,000 certificate of time deposit as (contract) security deposit on September 20, 2012. Because the Consolidated Company met the condition of the contract, a security deposit of \$400,000 was returned in January 2019. As of June 30, 2024, December 31, 2023 and June 30, 2023, the amount of security deposit was \$400,000.
- (b) In response to the commitment to the Council of Labor Affairs, Executive Yuan made by Ruen Chen Investment Holding Co., Ltd. in respect of stock equity trading, the

Consolidated Company's life insurance business deposited Government Bonds with par value of \$680,000 under the trust account of Mega International Commercial Bank Co., Ltd. on August 31, 2011.

- (c) Articles 141 and 142 of the Insurance Law require an insurance company to place a statutory deposit with the government equal to 15% of its paid-in capital. The deposit will not be returned until cessation of business and liquidation has been completed. At the end of the financial reporting period, the Consolidated Company deposited Government Bonds in the Central Bank of the Republic of China as follows:

June 30, 2024	December 31, 2023	June 30, 2023
\$ 21,307,000	\$ 21,307,000	\$ 21,228,400

- (d) The Consolidated Company's life insurance business has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years 2016 and 2017. The Consolidated Company's life insurance business deposited Government Bonds amounting to \$275,000 as a statutory deposit in July 2020.
- (e) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 32 and 33-2, Xinyi Section Four, Xinyi District, Taipei City" held by Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit of \$800,000 as contract security deposit on December 6, 2019.
- (f) To acquire the case "City Land Development and Registered Superficies of Land Lot No. 520-2 and other 31 lots, Wang Gao Lou Section, Tamsui District, New Taipei City" held by New Taipei City Government, the Consolidated Company's life insurance business set a certificate of time deposit (including subsequent interest) as contract security deposit on January 12, 2021. As of June 30, 2024, December 31, 2023 and June 30, 2023, the deposit amounted to \$46,230, \$46,058 and \$46,058, respectively.
- (g) The Consolidated Company's life insurance business is engaged in trading of derivative instruments and bonds sold under repurchase agreements. As of June 30, 2024, December 31, 2023 and June 30, 2023, the Consolidated Company deposited U.S. Government Bonds amounting to \$24,496,580, \$0 and \$12,901,654, respectively, and cash amounting to \$6,811,904, \$0 and \$3,291,281, respectively, as the guarantee. Refer to Notes 6(8) and (9) for details of the offset between guarantee and financial assets and liabilities.
- (h) The Consolidated Company's property insurance business engaged in insurance bidding business, as of June 30, 2024, December 31, 2023 and June 30, 2023, the Consolidated Company's property business had time deposits of \$20,180, \$20,180 and \$20,661 as the contract security deposit, respectively.
- (i) Except as stated above, the Consolidated Company's refundable deposits is mainly from leases and property investments, etc.

(17) Insurance products - separate account

- A. The insurance products - separate account classified under assets on insurance products - separate account, liabilities on insurance products - separate account, revenues on insurance products - separate account and expenses on insurance products-separate account are detailed as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Assets on insurance products - separate account			
Cash in bank	\$ 108,933	\$ 153,685	\$ 182,904
Financial assets at fair value through profit or loss	220,756,688	207,480,697	203,566,528
Other receivables	<u>1,114,252</u>	<u>577,410</u>	<u>483,849</u>
	<u>\$ 221,979,873</u>	<u>\$ 208,211,792</u>	<u>\$ 204,233,281</u>
Liabilities on insurance products - separate account			
Reserve for insurance products - separate account-insurance contracts	\$ 125,422,785	\$ 128,306,987	\$ 126,548,838
Reserve for insurance products - separate account-investment contracts	96,471,338	79,245,766	77,058,119
Other payables	<u>85,750</u>	<u>659,039</u>	<u>626,324</u>
	<u>\$ 221,979,873</u>	<u>\$ 208,211,792</u>	<u>\$ 204,233,281</u>
	<u>For the three months ended June 30,</u>		
	<u>2024</u>	<u>2023</u>	
Revenues on insurance products - separate account			
Premiums income	\$ 2,526,228	\$ 2,617,065	
Interest income	2	3	
Gain on financial assets at fair value through profit or loss and foreign exchange	<u>5,193,897</u>	<u>5,756,677</u>	
	<u>\$ 7,720,127</u>	<u>\$ 8,373,745</u>	
Expenses on insurance products - separate account			
Claims and policy benefits payments	\$ 3,177,231	\$ 68,313	
Surrender charges	3,960,545	2,787,564	
Net change of reserve - insurance contracts	(2,158,134)	3,059,195	
Administration charges and cost of insurance	418,249	407,706	
Payment for cash dividends	<u>2,322,236</u>	<u>2,050,967</u>	
	<u>\$ 7,720,127</u>	<u>\$ 8,373,745</u>	

	For the six months ended June 30,	
	2024	2023
Revenues on insurance products - separate account		
Premiums income	\$ 5,144,472	\$ 5,269,889
Interest income	5	3
Gain on financial assets at fair value through profit or loss and foreign exchange	13,076,134	9,519,513
	<u>\$ 18,220,611</u>	<u>\$ 14,789,405</u>
Expenses on insurance products - separate account		
Claims and policy benefits payments	\$ 10,131,987	\$ 207,343
Surrender charges	7,602,149	4,991,511
Net change of reserve - insurance contracts	(3,988,669)	5,491,644
Administration charges and cost of insurance	840,834	827,873
Payment for cash dividends	3,634,310	3,271,034
	<u>\$ 18,220,611</u>	<u>\$ 14,789,405</u>

B. The Consolidated Company received sales incentive bonus recognised as fee income from counterparties relative to the above investment-linked insurance products as follows:

For the three months ended June 30,		For the six months ended June 30,	
2024	2023	2024	2023
<u>\$ 451,175</u>	<u>\$ 392,368</u>	<u>\$ 877,440</u>	<u>\$ 771,685</u>

C. On September 17, 2019, the Consolidated Company was penalised by the competent authority because “the Invision” information system violated the Insurance Act and was asked to terminate the business of new investment-linked insurance product contract by the next day of receiving the sanction. Only until the information system of investment-linked insurance product is improved and is verified by the third-party professional institution and reported to the authority for approval, the business of new investment-linked insurance product contract can be restarted. On January 2, 2024, the Consolidated Company was approved by the competent authority to resume the sale of the investment-linked insurance products.

(18) Short-term debts

	June 30, 2024	December 31, 2023	June 30, 2023
Bonds sold under repurchase agreements	<u>\$ 9,703,644</u>	<u>\$ 5,738,950</u>	<u>\$ 2,211,884</u>

- A. To fulfil the needs of insurance business, as of June 30, 2024, December 31, 2023 and June 30, 2023, the Consolidated Company transacted bonds sold under repurchase agreements at a contracted interest rate range from 5.45% to 5.65%, from 5.67% to 5.85% and from 5.25% to 5.39%, respectively.
- B. Refer to Notes 6(8) and (9) for details of Government Bonds and corporate bonds classified as financial assets at amortised cost being pledged as collateral for the liabilities of bonds sold under repurchase agreements which were transacted by the Consolidated Company.

(19) Payables

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Claims and policy benefits payable	\$ 1,869,568	\$ 1,393,269	\$ 1,456,735
Commissions payable	1,841,232	2,174,841	1,981,146
Due to reinsurers and ceding companies	1,930,596	1,528,173	2,038,813
Accrued interests	400,019	844,305	25,387
Investments payable	12,735,386	795,997	21,701,436
Other payables	5,738,138	7,519,985	5,590,072
	<u>\$ 24,514,939</u>	<u>\$ 14,256,570</u>	<u>\$ 32,793,589</u>

(20) Financial liabilities at fair value through profit or loss

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Financial liabilities at fair value through profit or loss			
Derivative instruments	<u>\$ 53,621,151</u>	<u>\$ 5,287,505</u>	<u>\$ 35,275,298</u>

For the gain or loss on financial liabilities at fair value through profit or loss recognised by the Consolidated Company and related description of derivative instruments, please refer to Note 6(3).

(21) Bonds payable

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Bonds payable	<u>\$ 61,040,000</u>	<u>\$ 53,500,000</u>	<u>\$ 42,000,000</u>

- A. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10502064510 of FSC dated May 31, 2016, and Public Announcement of Securities-TPEX-Bond No. 10500152721 of Taipei Exchange dated June 20, 2016, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$25,000,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: Perpetual.
- (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 20, 2016 the coupon rate is 3.5%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.

- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- B. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10602051720 of FSC dated May 31, 2017, and Public Announcement of Securities-TPEX-Bond No. 10600151791 of Taipei Exchange dated June 23, 2017, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$7,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 23, 2017 the coupon rate is 3.45%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- C. The Consolidated Company was informed by Jin-Guan-Bao-Sho Letter No. 10704153520 of FSC dated June 12, 2018, and Public Announcement of Securities-TPEX-Bond No. 10700153831 of Taipei Exchange dated June 29, 2018, of a permit to issue cumulative perpetual subordinated bonds which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$10,000,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: Perpetual.
 - (d) Coupon rate: The coupon rate remains fixed interest rate within ten years from the issuance date. For the issuance dated June 29, 2018 the coupon rate is 3.3%. After the lapse of ten years from the issuance date, if the bonds has not been redeemed, the coupon rate will increase by 1%.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.

- (f) Early redemption: After the lapse of ten years from the issuance date, if the Consolidated Company's capital adequacy ratio after redemption is more than twice of statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Consolidated Company to do so, the Consolidated Company will redeem all bonds beforehand at face value along with the interest payable.
 - (g) Form of issuance: The bond is issued in non-physical form.
- D. The Consolidated Company's life insurance business was informed by Jin-Guan-Bao-Sho Letter No. 112043641 of FSC dated September 13, 2023, and Public Announcement of Securities-TPEX-Bond No. 11200101871 of Taipei Exchange dated October 19, 2023, of a permit to issue the first unsecured cumulative subordinated bonds of 2023 which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$11,500,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.
- E. The Consolidated Company's life insurance business was informed by Public Announcement of Securities-TPEX-Bond No. 11200123751 of Taipei Exchange dated December 27, 2023, of a permit to issue the second unsecured cumulative subordinated bonds of 2023 which was granted and became effective. The stipulated terms of issuance are as follows:
- (a) Total issuance amount: NT\$ 3,500,000 thousand.
 - (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
 - (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
 - (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
 - (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
 - (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
 - (g) Form of issuance: The bond is issued in non-physical form.

F. The Consolidated Company's life insurance business was informed by Public Announcement of Securities-TPEX-Bond No. 11300047181 of Taipei Exchange dated June 24, 2024, of a permit to issue the first unsecured cumulative subordinated bonds of 2024 which was granted and became effective. The stipulated terms of issuance are as follows:

- (a) Total issuance amount: NT\$ 4,040,000 thousand.
- (b) Par value and issuing price: The par value is NT\$1,000 thousand per bond and issued at par value.
- (c) Issuance period: 10 years for A bonds and 15 years for B bonds.
- (d) Coupon rate: The coupon rate for A bonds is fixed interest rate of 3.75% per annum; and the coupon rate for B bonds is fixed interest rate of 3.88% per annum.
- (e) Method of interest payment: The interest is paid once a year, calculated with the simple interest of coupon rate from the issuance date.
- (f) Early redemption: After the lapse of ten years from the issuance date of B bonds, if the Company's capital adequacy ratio after redemption is more than statutory lowest capital adequacy ratio for insurance industry and provided that the competent authority agrees the Company to do so, the Company will redeem all bonds beforehand at face value along with the interest payable which is calculated based on the actual number of days.
- (g) Form of issuance: The bond is issued in non-physical form.

(22) Reinsurance contract assets and insurance contract liabilities

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Reinsurance contract assets			
Life insurance	\$ 1,357,536	\$ 1,380,473	\$ 1,369,648
Property insurance	2,235,644	2,631,559	2,925,765
	<u>\$ 3,593,180</u>	<u>\$ 4,012,032</u>	<u>\$ 4,295,413</u>
	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Insurance liabilities			
Life insurance	\$ 4,697,007,601	\$ 4,617,867,429	\$ 4,631,584,541
Property insurance	10,660,613	9,942,984	9,693,552
	<u>\$ 4,707,668,214</u>	<u>\$ 4,627,810,413</u>	<u>\$ 4,641,278,093</u>

A. Life insurance

The components of reinsurance contract assets are as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Claims recoverable from reinsurers	\$ 1,088,340	\$ 1,106,304	\$ 1,106,930
Due from reinsurers and ceding companies	-	3,624	-
Reinsurance reserve assets			
Ceded unearned premium reserve	199,887	163,841	171,637
Ceded claims reserve	69,309	106,704	91,081
	<u>\$ 1,357,536</u>	<u>\$ 1,380,473</u>	<u>\$ 1,369,648</u>

Reinsurance contract assets held by the Consolidated Company's life insurance are neither past due nor impaired, and they all ceded to reinsurers with S&P rating A or above.

The components of insurance contract liabilities are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Unearned premium reserve	\$ 21,020,627	\$ 20,056,307	\$ 20,329,391
Claims reserve	11,071,347	10,799,542	10,773,624
Policy reserve	4,649,132,937	4,571,457,717	4,585,400,557
Special reserve	10,250,166	9,352,030	9,057,646
Premium deficiency reserve	5,532,524	6,201,833	6,023,323
	<u>\$ 4,697,007,601</u>	<u>\$ 4,617,867,429</u>	<u>\$ 4,631,584,541</u>

The movements and components of insurance contract liabilities and reinsurance reserves are as follows:

(a) Unearned premium reserve and ceded unearned premium reserve

	2024	2023
Unearned premium reserve:		
At January 1	\$ 20,056,307	\$ 19,333,397
Net change	964,280	995,986
Foreign exchange loss	40	8
At June 30	<u>\$ 21,020,627</u>	<u>\$ 20,329,391</u>
	2024	2023
Ceded unearned premium reserve:		
At January 1	\$ 163,841	\$ 153,453
Net change	35,701	18,123
Foreign exchange gain	345	61
At June 30	<u>\$ 199,887</u>	<u>\$ 171,637</u>

(b) Claims reserve and ceded claims reserve

I. The components of claims reserve are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Claims reported but not paid	\$ 3,652,055	\$ 3,521,136	\$ 3,645,795
Claims incurred but not reported and paid	7,419,292	7,278,406	7,127,829
	<u>\$ 11,071,347</u>	<u>\$ 10,799,542</u>	<u>\$ 10,773,624</u>

II. The movement of claims reserve and ceded claims reserve are as follows:

	2024	2023
Claims reserve:		
At January 1	\$ 10,799,542	\$ 10,538,532
Net change	266,158	233,757
Foreign exchange loss	5,647	1,335
At June 30	<u>\$ 11,071,347</u>	<u>\$ 10,773,624</u>

	2024	2023
Ceded claims reserve:		
At January 1	\$ 106,704	\$ 177,303
Net change	(37,829)	(86,281)
Foreign exchange gain	434	59
At June 30	<u>\$ 69,309</u>	<u>\$ 91,081</u>

(c) Policy reserve

I. The components of policy reserve are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Insurance contracts	\$ 4,481,958,637	\$ 4,394,653,228	\$ 4,394,926,327
Investment contracts with discretionary participation features	165,952,144	175,530,410	189,179,013
Life policy reserve -catastrophe reserve recovered	50,691	50,691	50,691
Policy benefit-pending payment to policyholder	1,171,465	1,223,388	1,244,526
	<u>\$ 4,649,132,937</u>	<u>\$ 4,571,457,717</u>	<u>\$ 4,585,400,557</u>

II. The movements of policy reserve are as follows:

	2024	2023
At January 1	\$ 4,571,457,717	\$ 4,530,866,645
Net change	16,081,641	37,352,136
Foreign exchange loss	59,784,496	15,105,566
Net change in policy benefits-pending payment to policyholder	(51,923)	71,488
Others	1,861,006	2,004,722
At June 30	<u>\$ 4,649,132,937</u>	<u>\$ 4,585,400,557</u>

III. The related interest expense from the above discount-based insurance contract liabilities are as follows:

For the three months ended June 30,	For the six months ended June 30,
2024	2023
2024	2023
<u>\$ 38,408,027</u>	<u>\$ 37,910,193</u>
<u>\$ 76,601,735</u>	<u>\$ 75,671,449</u>

IV. The Consolidated Company's reserves of insurance contracts and financial instruments with discretionary participation features are recognised based on "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", not valued at fair value.

The financial instruments with discretionary participation feature (variable interest rate annuity) reported in each report period by the Consolidated Company, is based on credited interest rate to accumulate the account value. Those financial instruments' discretionary participation feature has no quoted market price and the fair value could

not be reliably measured, so no need to disclose those fair value. At the end of each reporting date, except for paid under insurance terms, the Consolidated Company does not plan to sell those financial instruments.

(d) Special reserve

I. The components of special reserve are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Reserve for real estate appreciation	\$ 1,354,257	\$ 1,354,257	\$ 1,354,257
Dividend payment reserve	8,895,909	7,997,773	7,703,389
	<u>\$ 10,250,166</u>	<u>\$ 9,352,030</u>	<u>\$ 9,057,646</u>

II. The movements of special reserve are as follows:

	2024	2023
At January 1	\$ 9,352,030	\$ 9,190,758
Net change	898,136	(133,112)
At June 30	<u>\$ 10,250,166</u>	<u>\$ 9,057,646</u>

(e) Premium deficiency reserve

	2024	2023
At January 1	\$ 6,201,833	\$ 6,459,465
Net change	(740,625)	(456,541)
Foreign exchange loss	71,316	20,399
At June 30	<u>\$ 5,532,524</u>	<u>\$ 6,023,323</u>

B. Property insurance

(a) Reinsurance contract assets are shown below:

	June 30, 2024	December 31, 2023	June 30, 2023
Claims recoverable from reinsurers	\$ 247,468	\$ 379,797	\$ 512,659
Due from reinsurers and ceding companies	1,113	229	421
Overdue receivable	332	379	4,473
Reinsurance contract assets reserve			
Ceded unearned premium reserve	897,790	1,132,196	1,187,989
Ceded claim reserve	1,090,601	1,121,607	1,228,460
Subtotal	2,237,304	2,634,208	2,934,002
Less: Allowance for loss	(1,660)	(2,649)	(8,237)
	<u>\$ 2,235,644</u>	<u>\$ 2,631,559</u>	<u>\$ 2,925,765</u>

I. Reinsurance contract assets neither overdue nor impaired were rated with S&P BBB+ or above, so it expects that the probability of default is remote.

II. Amount of reinsurance contract assets and aging analysis that were past due but not impaired or impaired are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
31-90 days	\$ 70,764	\$ 218,279	\$ 84,507
91-180 days	4,402	15,520	185,474
181-270 days	1,061	3,144	3,091
Over 271 days	332	379	4,436
	<u>\$ 76,559</u>	<u>\$ 237,322</u>	<u>\$ 277,508</u>

Aging of above claims recoverable from reinsurers, due from reinsurers and ceding companies were classified based on settlement date, reclassified as overdue receivables in 9 months.

III. Changes in allowance for loss on reinsurance contract assets are as follows:

	2024	2023
At January 1	\$ 2,649	\$ 8,873
Reversal of loss	(989)	(636)
At June 30	<u>\$ 1,660</u>	<u>\$ 8,237</u>

(b) Insurance contract liabilities are shown below:

	June 30, 2024	December 31, 2023	June 30, 2023
Unearned premium reserve	\$ 4,701,850	\$ 4,369,375	\$ 4,126,399
Claim reserve	3,537,942	3,184,074	3,203,968
Special reserve	2,420,821	2,389,535	2,360,736
Premium deficiency reserve	-	-	2,449
	<u>\$ 10,660,613</u>	<u>\$ 9,942,984</u>	<u>\$ 9,693,552</u>

I. Movements of unearned premium reserve and ceded unearned premium reserve are as follows:

	2024		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 4,369,375	\$ 1,132,196	\$ 3,237,179
Provision	4,701,850	897,790	3,804,060
Recovery	(4,369,375)	(1,132,196)	(3,237,179)
At June 30	<u>\$ 4,701,850</u>	<u>\$ 897,790</u>	<u>\$ 3,804,060</u>
	2023		
	Unearned premium reserve	Ceded unearned premium reserve	Net amount
At January 1	\$ 3,988,387	\$ 1,359,114	\$ 2,629,273
Provision	4,126,399	1,187,989	2,938,410
Recovery	(3,988,387)	(1,359,114)	(2,629,273)
At June 30	<u>\$ 4,126,399</u>	<u>\$ 1,187,989</u>	<u>\$ 2,938,410</u>

II. Claim reserve and ceded claim reserve

June 30, 2024			
Item	Claim reserve	Ceded claim	
		reserve	Retention
Reported but not paid claim reserve	\$ 1,745,559	\$ 504,144	\$ 1,241,415
Incurred but not reported claim reserve	1,792,383	586,457	1,205,926
	<u>\$ 3,537,942</u>	<u>\$ 1,090,601</u>	<u>\$ 2,447,341</u>
December 31, 2023			
Item	Claim reserve	Ceded claim	
		reserve	Retention
Reported but not paid claim reserve	\$ 1,681,577	\$ 615,232	\$ 1,066,345
Incurred but not reported claim reserve	1,502,497	506,375	996,122
	<u>\$ 3,184,074</u>	<u>\$ 1,121,607</u>	<u>\$ 2,062,467</u>
June 30, 2023			
Item	Claim reserve	Ceded claim	
		reserve	Retention
Reported but not paid claim reserve	\$ 1,690,376	\$ 708,550	\$ 981,826
Incurred but not reported claim reserve	1,513,592	519,910	993,682
	<u>\$ 3,203,968</u>	<u>\$ 1,228,460</u>	<u>\$ 1,975,508</u>

Movements of claim reserve and ceded claim reserve are as follows:

2024			
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 3,184,074	\$ 1,121,607	\$ 2,062,467
Provision	3,537,942	1,090,601	2,447,341
Recovery	(3,184,074)	(1,121,607)	(2,062,467)
At June 30	<u>\$ 3,537,942</u>	<u>\$ 1,090,601</u>	<u>\$ 2,447,341</u>
2023			
	Claim reserve	Ceded claim reserve	Net amount
At January 1	\$ 3,057,846	\$ 1,257,010	\$ 1,800,836
Provision	3,203,968	1,228,460	1,975,508
Recovery	(3,057,846)	(1,257,010)	(1,800,836)
At June 30	<u>\$ 3,203,968</u>	<u>\$ 1,228,460</u>	<u>\$ 1,975,508</u>

III. Special reserve

Insurance type	June 30, 2024	December 31, 2023	June 30, 2023
Compulsory insurance	\$ 2,350,706	\$ 2,319,420	\$ 2,290,621
Others	70,115	70,115	70,115
	<u>\$ 2,420,821</u>	<u>\$ 2,389,535</u>	<u>\$ 2,360,736</u>

(i) Movements of special reserve are as follows:

	2024		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,319,420	\$ 12,471	\$ 57,644
Provision	31,286	-	-
At June 30	<u>\$ 2,350,706</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>
	2023		
	Compulsory insurance	Others	
		Catastrophe reserve	Risk-volatility reserve
At January 1	\$ 2,264,805	\$ 12,471	\$ 57,644
Provision	25,816	-	-
At June 30	<u>\$ 2,290,621</u>	<u>\$ 12,471</u>	<u>\$ 57,644</u>

(ii) Pursuant to “Notes for Strengthening Reserve for Natural Disaster of Property Insurance Enterprises”, effective January 1, 2013, special reserve recognised under liabilities before December 31, 2012 shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon/flood insurance except for reserves for other types of insurance like compulsory automobile liability insurance, nuclear energy insurance, government-directed housing earthquake insurance, commercial earthquake insurance and typhoons/flood insurance. These reserves shall then be recognised under liabilities. The remaining, net of income tax, shall be recognised as special reserves under stockholders’ equity in accordance with IAS 12. Besides, the aforementioned notes were amended in accordance with the Jin-Guan-Pao-Tsai Letter No. 11101405951 dated June 30, 2022, and were renamed “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”. According to the eighth point of the Notes, upon occurrence of the catastrophic events, when the actual claim of retention business exceeds expected claim minus the offsetting amount for special catastrophe reserve or total accumulative provision amount was sufficient, the risk-volatility reserve should be written-off or recovered in accordance with the third point in the “Regulations Governing the Setting Aside of Liability Reserves of Commercial Earthquake Insurance and Typhoon and Flood Insurance”. For the year ended December 31, 2022, the

Consolidated Company's property insurance business recovered \$67,246 from the risk-volatility reserve because pandemic related insurance products met the condition of aforementioned Notes due to the Coronavirus Disease (Covid-19). Additionally, according to "Note for Strengthening Reserve of Pool Members Residential Earthquake" and "Regulations Governing the setting Aside of Liability Reserve Provision of Nuclear Energy Insurance", effective January 1, 2013, special reserve that has been set aside shall be retained under special reserve for insurance liability.

To the Consolidated Company, in case that the Subsidiary had considered not to apply the abovementioned notices, the effects on the net income, earnings per share, special reserve and total equity are listed below:

Item	For the six months ended June 30, 2024		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 25,588,155	\$ 25,588,155	\$ -
Earnings per share (unit : NT dollars)	1.74	1.74	-
Special reserve	12,600,872	12,670,987	70,115
Total equity	374,288,875	374,232,783	(56,092)

Item	For the six months ended June 30, 2023		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 15,679,691	\$ 15,679,691	\$ -
Earnings per share (unit : NT dollars)			
(Note)	1.07	1.07	-
Special reserve	11,348,267	11,418,382	70,115
Total equity	327,047,914	326,991,822	(56,092)

Note: The number of outstanding weighted average shares was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the shareholders' meeting in 2024. Please refer to Notes 6(28) and (30) for the details.

- (iii) Starting from April 1, 2021, the Consolidated Company's property insurance business should monthly provision NT\$30 for each insurance policy as reserves from the business fees of insurer of property insurance according to the Compulsory Automobile Liability Insurance Act Article 2, Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises Article 24-2, Item 1 which was authorised and set by Insurance Act Article 145, Item 2 and Article 148-3, Item 2. If the annual net premium had deficiency when property insurance industry engaged in this business, it should be offset by the reserve first, if it is not sufficient, it should be executed according to Compulsory Automobile Liability Insurance Act and Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises.

IV. The adjustments from changes in the reserve for premiums deficiency and ceded premium deficiency were as follows:

	2023		
	Premium deficiency reserve	Ceded premium deficiency reserve	Net amount
At January 1	\$ 168,450	\$ -	\$ 168,450
Provision	2,449	-	2,449
Recovery	(168,450)	-	(168,450)
At June 30	<u>\$ 2,449</u>	<u>\$ -</u>	<u>\$ 2,449</u>

As of June 30, 2024 and December 31, 2023, the Consolidated Company's property insurance business had no reserve for premiums deficiency and ceded premium deficiency.

(23) Reserve for insurance with nature of financial instruments

The Consolidated Company issued financial instruments without discretionary participation features. As of June 30, 2024, December 31, 2023 and June 30, 2023, the details of and adjustment from change in the reserve for insurance with nature of financial instruments are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Investment-linked product	<u>\$ 1,186,250</u>	<u>\$ 956,348</u>	<u>\$ 811,088</u>
		2024	2023
At January 1		\$ 956,348	\$ 642,763
Net provision of statutory reserve		223,179	166,916
Foreign exchange loss		6,723	1,409
At June 30		<u>\$ 1,186,250</u>	<u>\$ 811,088</u>

(24) Reserve for foreign exchange valuation

A. In accordance with the "Regulation Governing the Setting Aside of Various Reserves by Insurance Enterprises", the Consolidated Company set aside reserve for foreign exchange valuation under liabilities. Movements are as follows:

	2024	2023
At January 1	\$ 8,675,002	\$ 42,592,110
Provision		
Compulsory provision	2,229,479	1,108,369
Additional provision	19,816,313	2,740,828
Subtotal	22,045,792	3,849,197
Recovery	(8,253,258)	(12,122,315)
At June 30	<u>\$ 22,467,536</u>	<u>\$ 34,318,992</u>

- B. The accounts eligible or ineligible for the reserve for foreign exchange valuation are as follows:

Item	For the six months ended June 30, 2024		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 36,622,183	\$ 25,588,155	(\$ 11,034,028)
Earnings per share (unit : NT dollars)	2.49	1.74	(0.75)
Reserve for foreign exchange valuation	-	22,467,536	22,467,536
Total equity	392,253,291	374,232,783	(18,020,508)
Item	For the six months ended June 30, 2023		
	Ineligible amount	Eligible amount	Impact
Net income	\$ 9,061,196	\$ 15,679,691	\$ 6,618,495
Earnings per share (unit : NT dollars) (Note)	0.62	1.07	0.45
Reserve for foreign exchange valuation	-	34,318,992	34,318,992
Total equity	354,493,494	326,991,822	(27,501,672)

Note: The number of outstanding weighted average shares was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the shareholders' meeting in 2024. Please refer to Notes 6(28) and (30) for the details.

(25) Provisions

	June 30, 2024	December 31, 2023	June 30, 2023
Provisions for employee benefits	\$ 3,581,836	\$ 3,610,496	\$ 3,036,904
Other provisions	232,662	229,634	251,601
	<u>\$ 3,814,498</u>	<u>\$ 3,840,130</u>	<u>\$ 3,288,505</u>

- A. Provisions of the Consolidated Company include employee benefits, lawsuits, claims and dispute on labor insurance. Employee benefits and dispute on labor insurance are described in Note 6(26).

- B. The details of other provisions are listed below:

	2024	2023
At January 1	\$ 229,634	\$ 252,094
Provisions	4,308	5,492
Recovery	(1,280)	(5,985)
At June 30	<u>\$ 232,662</u>	<u>\$ 251,601</u>

The actual amount and timing of payment of the above lawsuits, claims and new labor pension dispute between agents depends on each result of lawsuit, the policyholder's further requests or the competent authority's decision. The Consolidated Company uses professional legal advice or the percentage of occurrence to estimate the reasonability of provisions.

(26) Post-employee benefits

A. Defined benefit plans

The Consolidated Company has a defined benefit pension plan (the “Plan”), starting from April, 1998 in accordance with the “Labor Standards Law”, covering all regular employees’ service years prior to the enforcement of the “Labor Pension Act” on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Benefits under the Plan are based on participants’ length of service and average salaries at the time of retirement, with a benefit ceiling of 45 months of salary. The Consolidated Company makes a monthly provision and contributes an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The remaining is recorded as accrued pension cost. The retirement fund balance is not included in the financial statements.

The Consolidated Company also sets up an employee welfare measure of group term life insurance, which applies to all employees who were on board before April 17, 2009. Upon retirement, the renewal of group term life insurance will be the same as at the time of retirement during the first year, and decrease by 50% of insurance after the year of retirement. It is valid for employees’ whole life and all of the insurance payments are shouldered by the Consolidated Company.

For the three months ended June 30,		For the six months ended June 30,	
2024	2023	2024	2023
\$ 33,587	\$ 33,369	\$ 67,174	\$ 66,738

Note: Including capitalised construction in progress and intangible assets amounting to \$52 and \$343 for the six months ended June 30, 2024 and 2023, respectively.

Expected contributions to the defined benefit pension plans of the Consolidated Company in 2024 amount to \$58,970.

B. Defined contribution plans

Effective July 1, 2005, the Consolidated Company has established a defined contribution pension plan (the “New Plan”) in accordance with the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Consolidated Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. Pension expenses recognised by the Consolidated Company are as follows:

For the three months ended June 30,		For the six months ended June 30,	
2024	2023	2024	2023
\$ 82,403	\$ 78,115	\$ 162,157	\$ 155,982

Effective February 24, 2012, the Consolidated Company has provided labor insurance for certain field agents in accordance with order issued by the Bureau of Labor Insurance. For those field agents who have been enrolled in labor insurance under the order issued by the Bureau of Labor Insurance, the Consolidated Company is supposed to make contribution of labor pension for them accordingly. Thus, the above amounts include labor pension costs of those field agents.

The Consolidated Company has established the Employees' Retirement Fund Supervisory Committee (the “Committee”), based on the Employees’ Retirement Fund Custody and

Distribution Guidelines (the “Guidelines”) in August, 2005 that apply to appointed managers, to administer the retirement fund. The Consolidated Company makes a monthly provision equal to at least 6% of appointed managers’ salaries to the retirement fund for the Committee to handle. The Consolidated Company recognised pension expenses as follows:

For the three months ended June 30,		For the six months ended June 30,	
2024	2023	2024	2023
\$ 3,595	\$ 3,607	\$ 7,442	\$ 7,274

Note: Including pension expenses capitalised in construction in progress and intangible assets amounting to \$461 and \$1,337 for the six months ended June 30, 2024 and 2023, respectively.

- C. Regarding the issue that some field agents requested the Consolidated Company’s life insurance business to appropriate pension funds for them:

The Consolidated Company’s life insurance business has always assigned work to the agents since 1970 and it is affirmed through 49 rulings rendered by civil courts that the relationship between field agents and the Consolidated Company’s life insurance business is not a labor contractual relationship. However, a few agents claimed that it is a labor contractual relationship and hence legal disputes over Labor Standards Act, Labor Pension Act, Labor Insurance Act, Employment Insurance Act, and National Health Insurance Act have been raised. Earlier the administrative court dismissed the petition of the Consolidated Company’s life insurance business for related administrative remedy. The administrative court, however, interprets the laws inconsistently with the abovementioned rulings rendered by the civil court and thus gives rise to conflict between the two adjudicative bodies.

In addition, the Executive Yuan had revoked the penalty decisions made by the Department of Labor, Taipei City Government with 5 petition decisions while Taipei City Government also revoked the penalty decisions made by the Department of Labor, Taipei City Government with 2 petition decisions.

It indicates that what a few field agents contested is legally contentious. To end the disputes, the Consolidated Company’s life insurance business petitioned for the interpretation by Grand Justices. On October 21, 2016, the Judicial Yuan Interpretation No. 740 was released and stated that whether the labor contract entered by an insurance agent and the assigning company falls under the labor contract stipulated in subparagraph 6 of Article 2 of Labor Standards Act depends on whether the labor debtor (insurance agent) is able to decide the method of labor (including working hours) and whether he/she bears the business risk (e.g. the payment is based on the premium accrued from the policy he/she solicited), instead of determining the nature of contract in compliance with the provisions of Regulations Governing the Supervision of Insurance Solicitors.

As the J.Y. Interpretation illustrates, the relationship between the Consolidated Company’s life insurance business and the agents does not fall under the definition of labor contract provided in the Labor Standards Act and thus related regulations such as Labor Standards Act does not apply. The Consolidated Company’s life insurance business is not obliged to appropriate pension funds for field agents. The Consolidated Company’s life insurance business respects the J.Y. Interpretation, complies with the substance of the interpretation, and follows the appropriate proceedings to settle the disputes.

(27) Other liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Advance receipts and temporary credits	\$ 1,292,037	\$ 1,565,830	\$ 1,304,825
Guarantee deposits received	1,098,644	22,612,388	1,052,262
Accrued policy dividends	26,113,441	25,039,043	23,713,317
	<u>\$ 28,504,122</u>	<u>\$ 49,217,261</u>	<u>\$ 26,070,404</u>

(28) Equity

A. Capital

As at June 30, 2024, December 31, 2023 and June 30, 2023, the Company's authorised capital all amounted to \$180,000,000, whereas paid-in capital are all \$138,219,000. All stocks issued by the Company are common stocks with par value at NT\$10. All proceeds from shares issued have been collected.

On June 19, 2024, the shareholders' meeting resolved to increase capital from undistributed earnings by \$8,773,460, by issuing 877,346 thousand shares, with an ex-right date set for August 5, 2024.

B. Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. As of December 31, 2023, all the capital surplus is the premium on issuance of shares exceeding par value.

C. Retained earnings and earnings distribution

(a) The Company's Articles of Incorporation provided that where a profit is accrued during the year, the earnings should be reserved to pay all taxes and dues and offset accumulated deficit. Then set aside legal reserve and appropriate special reserve out of the remaining earnings in accordance with the laws and regulations of competent authority. For the accumulated amount of debit balance on other equity interest of prior periods, the same amount of special reserve should be provisioned from prior undistributed earnings. The distribution plan for the remaining plus beginning undistributed earnings shall be proposed by the Board of Directors and resolved by the stockholders at the stockholders' meeting. The dividend distribution of the Company is based on a strong foundational structure, well-maintained capital adequacy ratio and focused on the benefit of stockholders. The percentage between stock dividend and cash dividend is adjusted based on the actual annual earnings and capital position in the current year.

Legal reserve can be used for covering accumulated deficit. The use of legal reserve for the issuance of new stocks or cash to shareholders is permitted, provided that the distribution of the reverse is limited to the portion in excess of 25% of the Company's paid-in capital. Information about the appropriation of earnings by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in

the “Market Observation Post System” at the website of the Taiwan Stock Exchange. For information relating to employees’ compensation (bonus), please refer to Note 6(36).

- (b) On June 19, 2024 and June 7, 2023, the Company held the shareholders' meetings and approved the appropriation of earnings and the capitalisation of earnings for the years ended December 31, 2023, as well as the appropriation of earnings for the years ended December 31, 2022, respectively.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Legal reserve	\$ 4,326,405	\$ 6,507,515
Special reserve	8,532,158	26,030,095
Capitalisation of earnings	8,773,460	-

- (c) Special reserve under equity

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Catastrophe reserve and risk claim reserve	\$ 35,884,654	\$ 34,803,977	\$ 34,431,007
Reserve for foreign exchange valuation	52,344,245	41,947,545	41,947,545
Reserve for real estate appreciation recovery	5,417,029	5,417,029	5,417,029
The net affected amounts of adoption of the fair value of investment property	18,651,344	19,731,662	19,731,662
Gain from disposal of the financial debt instruments before their maturities	63,678,280	68,365,324	68,365,324
Debit balance on other equity interest	25,540,433	25,540,433	25,540,433
Variable interest rate products	7,929,252	5,605,649	5,605,649
Others	9,091,733	9,095,218	8,966,163
	<u>\$ 218,536,970</u>	<u>\$ 210,506,837</u>	<u>\$ 210,004,812</u>

I. Catastrophe reserve and risk claim reserve

(i) The net movement of special reserve after tax

The additional provision of special reserve should be recognised to “special reserve” under equity after tax. In addition, when the special reserve is insufficient to write off or recover with respect to the amounts that can be written-off or recovered, the “special reserve under equity” is used to write-off or recover the deficiency.

(ii) Risk claim reserve recovered

Pursuant to regulations on appropriation of provisions for insurance industry, the Company recovered after-tax balance of special reserve for hazard change. In accordance with Tai-Tsai-Bao Letter No. 0920700594 issued by Ministry of Finance on January 24, 2003, the amount is classified as special reserve after being recognised at the shareholders’ meeting in the next year. Any other

appropriation or purpose of use is subject to an approval.

II. Reserve for foreign exchange valuation

- (i) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises, life insurance enterprises should recognise the saved hedging cost to the special reserve under equity annually. The special reserve under equity can be made in the subsequent years when the earnings of current year are insufficient. The aforementioned special reserve under equity only can be reversed to increase capital or offset against accumulated deficit.
- (ii) According to the Guidance for Reserve for Foreign Exchange Valuation of Life Insurance Enterprises and Jin-Guan-Bao-Tsai Letter No.1090490453, the Company shall set aside 10% of after-tax net income and the amount of other profit (or loss) items adjusted to the current year's undistributed earnings in the current year as a special reserve except upon obtaining approval from FSC.
- (iii) According to the "Regulation Governing the Setting Aside of Various Reserve for Insurance Enterprises", the initial amount of reserve for foreign exchange amounting to \$3,486,612 has been entirely transferred to special reserve under equity.

III. Reserve for real estate appreciation

In accordance with Jin-Guan-Bao-Tsai Letter No. 10102515281 dated November 30, 2012, the Company recovered an amount from real estate value-added special reserve for the year ended December 31, 2013 amounting to \$5,417,029, which has been transferred to special reserve under equity as approved at shareholders' meeting in 2014.

IV. Fair value measurement of investment property

According to Jin-Guan-Bao-Tsai Letter No. 10402501001 dated January 23, 2015, the life insurance enterprises should set aside special reserve from the remainder of \$12,143,233 for net effect of subsequent measurement of investment property arising from first-time adoption of fair value model less additional liability reserve that should be set aside for valid contract fair value assessment. The remainder is used only for making up the insufficient amount of liability reserve in the subsequent periods based on the valid contract fair value assessment as approved by the competent authority and stabilizing financial structure in provision of additional reserve in connection with the second phase of IFRS 4, 'Insurance Contracts' in the future. In addition, in pursuant to Jin-Guan-Bao-Tsai Letter No. 10904917647 dated May 11, 2020, the aforementioned letter was revoked. The life insurance enterprises should set aside special reserve from net effect of subsequent measurement of investment property arising from first-time adoption of fair value model and net cumulative incremental gains after tax arising from changes in fair value in subsequent periods, which is not allowed to distribute under the regulation specified in Jin-Guan-Bao-Tsai Letter No. 10904917647, and the special reserve is used only for making up the insufficient amount of insurance contract liabilities in the subsequent periods based on the valid contract in accordance with IFRS 17, the life insurance business's fair value assessment on valid insurance contract liabilities and other designated valuation method. If the investment property whose special reserve had been used to make up the insufficient amount of insurance

contract liabilities can be reversed based on the its original provision ratio after having approval. If the reversed special reserve would be included in the earnings distribution, it should be in accordance with Jin-Guan-Bao-Tsai Letter No. 10202501992.

V. Gain from disposal of the financial debt instruments before their maturities

In accordance with Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, beginning from January 1, 2019, once the Company disposes the financial debt instruments before their maturities, the disposal gain and loss, after tax, it should be fully transferred from retained earnings to special reserve, which should be amortised and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity period cannot be determined.

(i) Financial assets not measured at fair value.

(ii) Financial assets whose changes are recognised in other comprehensive income measured at fair value.

(iii) Financial assets whose changes are recognised in profit or loss measured at fair value and applied overlay approach.

Fund beneficiary certification, short-term notes and bills, equity preference share and position of segregate asset in relation to participating policy or floating-rate insurance policy can be excluded in the abovementioned unmatured debt instruments.

For the year ended December 31, 2022, the net reversal for special reserve amounted to \$1,361,784 in accordance with regulations and self-assessment, which had been approved at the shareholders' meeting in 2023. Additionally, the net reversal amount of \$4,687,044 for the year ended December 31, 2023, based on legal requirements and self-assessment, has been reversed after the resolution of the shareholders' meeting in 2024. After the reversal, the accumulated balance of the special reserve is \$63,678,280.

As of June 30, 2024, December 31, 2023 and June 30, 2023, in accordance with the regulations mentioned above, the special reserve will be provisioned and the balances will be \$63,678,280, \$68,365,324 and \$68,365,324, respectively.

VI. Debit balance on other equity interest

According to Jin-Guan-Bao-Tsai Letter No. 10102508861, the Company shall set aside special reserve from the debit balance on other equity items at the end of the reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. According to Jin-Guan-Bao-Tsai Letter No. 11004920441 starting from the distribution of 2021 earnings, the Company should provision from prior undistributed earnings for the accumulated amount of the debit balance on other equity interest of the prior periods as special reserve which could not be distributed. Additionally, according to Jin-Guan-Bao-Tsai Letter No. 11104942741, when distributing earnings, the changes in the fair value from reclassified financial assets were accounted into the debit balance on other equity interest, while the special reserve is provisioned according to the amount incurred in the current year. Subsequently, when the total debit changes (including disposals) in the fair value from reclassification of financial assets and debit balance on other equity interest

is reversed, the reversed amount could be included in the distributable earnings.

VII. Variable interest rate products

In accordance with Jin-Guan-Bao-Tsai Letter No. 10804963711 dated January 16, 2020, beginning from July 1, 2020, if the Company still has distributable earnings after the appropriation of the abovementioned special reserves, it should set aside the special reserve in an amount equal to 20% of after-tax increase in variable interest rate product assets' value exceeding the reserve provision in each current-year segregate account. If the Company will appropriate the gain and loss from disposal of the segregate account's financial debt instruments before their maturities, based on Jin-Guan-Bao-Tsai Letter No. 11204939731 dated November 13, 2023, to this year's special reserve, the amount should be excluded from this year's calculation for Jin-Guan-Bao-Tsai Letter No. 11204939731's special reserve. The cap of this special reserve will be equal to the differences, net of tax, between the current year's asset value and the reserve provision in the segregate account. In the future, if the balance of this reserve exceeds the cap, the difference between the balance and the cap can be reversed by the Company in that financial year. The aforementioned asset value needs to exclude unrealised gain or loss on financial assets at fair value through other comprehensive income and gain or loss on reclassification using overlay approach.

VIII. Others

(i) Special reserve for Fintech development

According to Jin-Guan-Bao-Tsai Letter No.10502066461 dated July 13, 2016, insurance companies are required to appropriate 0.5% to 1% of annual net income as special reserve for the years ended December 31, 2016 to 2018. And from the next year of appropriating special reserve, the companies can reverse to the extent not beyond the same amount of special reserve where expenses incurred for employees trainings and protection of employees' right. However, in pursuant to Jin-Guan-Pao-Tsai Letter No. 10804932431 dated July 30, 2019, the companies are no longer required to set aside the special reserve starting from 2019. And the special reserve set aside in the previous years can be used for the aforementioned expenditures.

(ii) Dividend offset reserve

According to Jin-Guan-Bao-Tsai Letter No. 10600012450, the Company has reclassified \$729,626, which was the after-tax amount of dividend offset reserve resulting from the transfer of assets and liabilities by the Chaoyang branch on May 2, 2017 (\$879,067 before-tax), from insurance contract liabilities into special reserve. Any change in dividend offset reserve in the following reporting periods will also be recognised in special reserve in an after-tax amount. The special reserve mentioned above neither be distributed as dividends nor use in other purposes without the approval of the component authority.

(iii) Disability support insurance products

In accordance with Jin-Guan-Bao-Tsai Letter No. 11004908861 dated March 26, 2021, beginning from the year ending 2020, the life insurance business should recognise special reserve for all its net profit after tax from disability

insurance. If current net profit is insufficient to cover the amount, it should be made in the subsequent years. In the subsequent years, if there is a deficit generated from disability support insurance, the special reserve could be reversed in the originally recognised amount.

(iv) Travel accident insurance

In accordance with Jin-Guan-Bao-Tsai Letter No. 11304908291 dated April 26, 2024, in order to strengthen the financial structure of insurance industry, beginning from the year ending of 2021, after the end of each financial year, to act in accordance with the “Table of Standard Premiums for Accident, Death, and Disability Benefits under Individual Travel Accident Insurance” to provision premium income as special reserve. This provision amount is calculated as follows: 10% of total premium income, which is calculated from insurance amount and number of insurance days, minus 20% of nominal tax.

(v) Other special reserve under equity

The Company provisioned special reserve of 2021 according to the approval of the FSC Insurance Bureau to strengthen the solvency of the Company.

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D. Other equity interest

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2024	(\$ 6,242)	(\$ 22,573,394)	\$ 221,965	(\$ 57,900,432)	(\$ 80,258,103)
Amounts recognised in other comprehensive income	4,411	(9,089,367)	28,175	15,742,672	6,685,891
Amounts included in equity adjustment items of associates accounted for using equity method	5,578	234	-	-	5,812
Amounts reclassified to profit or loss	-	(839,739)	-	-	(839,739)
Effect on income tax	-	1,804,024	-	(2,889,522)	(1,085,498)
June 30, 2024	<u>\$ 3,747</u>	<u>(\$ 30,698,242)</u>	<u>\$ 250,140</u>	<u>(\$ 45,047,282)</u>	<u>(\$ 75,491,637)</u>

	Exchange differences on translation of foreign operation	Unrealised gain or (loss) on financial assets at fair value through other comprehensive income	Unrealised revaluation increments	Other comprehensive gain or (loss) on reclassification using overlay approach	Total
January 1, 2023	(\$ 8,142)	(\$ 23,933,315)	\$ 147,155	(\$ 97,133,689)	(\$ 120,927,991)
Amounts recognised in other comprehensive income	1,814	2,322,251	-	34,143,245	36,467,310
Amounts included in equity adjustment items of associates accounted for using equity method	2,269	(485)	-	-	1,784
Amounts reclassified to profit or loss	-	(1,799,662)	-	-	(1,799,662)
Effect on income tax	-	(91,076)	-	(4,842,474)	(4,933,550)
June 30, 2023	<u>(\$ 4,059)</u>	<u>(\$ 23,502,287)</u>	<u>\$ 147,155</u>	<u>(\$ 67,832,918)</u>	<u>(\$ 91,192,109)</u>

(29) Income tax

A. Components of income tax expense (benefit) are as follows:

	For the three months ended June 30,	
	2024	2023
Current income tax		
Current tax on profits for the period	(\$ 582,415)	\$ 1,137,677
Prior year income tax (overestimation) underestimation	(38,444)	115
Foreign tax paid	697,621	61,187
Land value increment tax	19,700	4,787
Deferred tax		
Origination and reversal of temporary differences	792,642	693,326
Income tax expense	<u>\$ 889,104</u>	<u>\$ 1,897,092</u>
	For the six months ended June 30,	
	2024	2023
Current income tax		
Current tax on profits for the period	\$ 58,625	\$ 2,227,999
Prior year income tax underestimation	9,735	75,249
Foreign tax paid	735,079	(133,185)
Land value increment tax	121,601	4,787
Deferred tax		
Origination and reversal of temporary differences	629,376	(2,268,799)
Income tax expense (benefit)	<u>\$ 1,554,416</u>	<u>(\$ 93,949)</u>

- B. The income tax (benefit) expense relating to components of other comprehensive income is as follows:

		For the three months ended June 30,	
		2024	2023
Unrealised gain or loss on financial assets at fair value through other comprehensive income	(\$	938,751)	(\$ 994,984)
Other comprehensive income on reclassification under the overlay approach		312,631	1,482,031
	(\$	626,120)	\$ 487,047
		For the six months ended June 30,	
		2024	2023
Unrealised gain or loss on financial assets at fair value through other comprehensive income	(\$	1,804,024)	\$ 91,076
Other comprehensive income on reclassification under the overlay approach		2,889,522	4,842,474
	\$	1,085,498	\$ 4,933,550

- C. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. However, the Company has taken administrative remedy by the statutory period for the adjustment of income tax returns assessed by the National Taxation Bureau for the years ended December 31, 2016 to 2019 and 2021. The Company has set government bonds and land as collateral for the corporate income tax adjustments determined by the tax authorities for the years 2016, 2017, and 2021.

The income tax returns of the subsidiary through 2021 have been assessed and approved by the Tax Authority.

- D. The Consolidated Company recognised deferred tax assets given that the future taxable income is sufficient for deductible temporary difference after taking into account future income growth and rate of return.

(30) Earnings per share

Earnings per share of the Consolidated Company with simple capital structure are as follows:

	For the three months ended June 30,	
	2024	2023
Net income	\$ 12,108,098	\$ 15,196,275
Weighted average shares outstanding (Note)		
(unit: thousand shares)	14,699,246	14,699,246
Earnings per share (unit: NT dollars)	\$ 0.82	\$ 1.03
	For the six months ended June 30,	
	2024	2023
Net income	\$ 25,588,155	\$ 15,679,691
Weighted average shares outstanding (Note)		
(unit: thousand shares)	14,699,246	14,699,246
Earnings per share (unit: NT dollars)	\$ 1.74	\$ 1.07

Note: For the three months and six months ended June 30, 2024 and 2023, the number of outstanding weighted average shares was retrospectively adjusted based on the proposal with regard to capitalisation of retained earnings by share issuance as resolved at the shareholders' meeting in 2024. Please refer to Note 6(28) for the details.

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(31) Retention earned premium income

For the three months ended June 30, 2024

	Life insurance		Property insurance		
	Investment contracts				
	Insurance	with discretionary	Compulsory	Elective insurance	Total
	contracts	participation features	insurance		
Premiums income	\$ 62,094,217	\$ 594,056	\$ 189,567	\$ 2,073,984	\$ 64,951,824
Reinsurance premium written	-	-	62,028	9,369	71,397
Less:					
Reinsurance premium ceded	(1,152,782)	-	(77,947)	(404,877)	(1,635,606)
Net change in unearned premiums reserve	(354,100)	(123)	(2,325)	(196,070)	(552,618)
Retention earned premium income	<u>\$ 60,587,335</u>	<u>\$ 593,933</u>	<u>\$ 171,323</u>	<u>\$ 1,482,406</u>	<u>\$ 62,834,997</u>

For the three months ended June 30, 2023

	Life insurance		Property insurance		
	Investment contracts				
	Insurance	with discretionary	Compulsory	Elective insurance	Total
	contracts	participation features	insurance		
Premiums income	\$ 66,119,289	\$ 1,081,043	\$ 177,700	\$ 1,645,740	\$ 69,023,772
Reinsurance premium written	-	-	60,876	7,204	68,080
Less:					
Reinsurance premium ceded	(1,053,467)	-	(73,441)	(513,822)	(1,640,730)
Net change in unearned premiums reserve	(281,127)	(119)	(2,388)	(85,681)	(369,315)
Retention earned premium income	<u>\$ 64,784,695</u>	<u>\$ 1,080,924</u>	<u>\$ 162,747</u>	<u>\$ 1,053,441</u>	<u>\$ 67,081,807</u>

For the six months ended June 30, 2024

	Life insurance		Property insurance		
	Investment contracts				
	Insurance contracts	with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 129,206,157	\$ 1,522,843	\$ 381,494	\$ 4,073,260	\$ 135,183,754
Reinsurance premium written	-	-	129,705	21,257	150,962
Less:					
Reinsurance premium ceded	(2,285,710)	-	(156,716)	(602,811)	(3,045,237)
Net change in unearned premiums reserve	(928,415)	(164)	(7,199)	(559,682)	(1,495,460)
Retention earned premium income	<u>\$ 125,992,032</u>	<u>\$ 1,522,679</u>	<u>\$ 347,284</u>	<u>\$ 2,932,024</u>	<u>\$ 130,794,019</u>

For the six months ended June 30, 2023

	Life insurance		Property insurance		
	Investment contracts				
	Insurance contracts	with discretionary participation features	Compulsory insurance	Elective insurance	Total
Premiums income	\$ 134,980,671	\$ 2,379,467	\$ 354,720	\$ 3,272,849	\$ 140,987,707
Reinsurance premium written	-	-	123,455	20,282	143,737
Less:					
Reinsurance premium ceded	(2,093,122)	-	(146,164)	(926,256)	(3,165,542)
Net change in unearned premiums reserve	(977,712)	(151)	(3,670)	(305,467)	(1,287,000)
Retention earned premium income	<u>\$ 131,909,837</u>	<u>\$ 2,379,316</u>	<u>\$ 328,341</u>	<u>\$ 2,061,408</u>	<u>\$ 136,678,902</u>

(32) Retention claims and policy benefits payments

For the three months ended June 30, 2024					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 83,213,986	\$ 9,685,643	\$ 128,698	\$ 957,463	\$ 93,985,790
Reinsurance claims paid	-	-	53,471	2,947	56,418
Less:					
Claims recovered from reinsurers	(451,793)	-	(75,165)	(197,447)	(724,405)
Retention claims and policy benefits payments	<u>\$ 82,762,193</u>	<u>\$ 9,685,643</u>	<u>\$ 107,004</u>	<u>\$ 762,963</u>	<u>\$ 93,317,803</u>
For the three months ended June 30, 2023					
	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 70,677,214	\$ 8,207,635	\$ 121,417	\$ 858,871	\$ 79,865,137
Reinsurance claims paid	-	-	55,988	484	56,472
Less:					
Claims recovered from reinsurers	(409,737)	-	(70,823)	(281,723)	(762,283)
Retention claims and policy benefits payments	<u>\$ 70,267,477</u>	<u>\$ 8,207,635</u>	<u>\$ 106,582</u>	<u>\$ 577,632</u>	<u>\$ 79,159,326</u>

For the six months ended June 30, 2024

	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 155,500,904	\$ 18,463,971	\$ 246,422	\$ 1,831,314	\$ 176,042,611
Reinsurance claims paid	-	-	114,975	3,838	118,813
Less:					
Claims recovered from reinsurers	(875,042)	-	(146,253)	(466,919)	(1,488,214)
Retention claims and policy benefits payments	<u>\$ 154,625,862</u>	<u>\$ 18,463,971</u>	<u>\$ 215,144</u>	<u>\$ 1,368,233</u>	<u>\$ 174,673,210</u>

For the six months ended June 30, 2023

	Life insurance		Property insurance		
	Insurance contracts	Investment contracts with discretionary participation features	Compulsory insurance	Elective insurance	Total
Claims and policy benefits payments	\$ 143,052,464	\$ 15,934,645	\$ 238,034	\$ 1,756,682	\$ 160,981,825
Reinsurance claims paid	-	-	111,996	1,114	113,110
Less:					
Claims recovered from reinsurers	(896,403)	-	(140,070)	(593,092)	(1,629,565)
Retention claims and policy benefits payments	<u>\$ 142,156,061</u>	<u>\$ 15,934,645</u>	<u>\$ 209,960</u>	<u>\$ 1,164,704</u>	<u>\$ 159,465,370</u>

(33) Interest income

	For the three months ended June 30,	
	2024	2023
Cash and cash equivalents	\$ 653,576	\$ 564,481
Financial assets at fair value through other comprehensive income	2,972,688	2,883,624
Financial assets at amortised cost	30,703,406	31,505,058
Loans	1,310,785	1,312,928
Refundable deposits of derivative instruments	81,229	34,329
	<u>\$ 35,721,684</u>	<u>\$ 36,300,420</u>
	For the six months ended June 30,	
	2024	2023
Cash and cash equivalents	\$ 1,342,538	\$ 1,146,333
Financial assets at fair value through other comprehensive income	5,798,402	5,418,487
Financial assets at amortised cost	60,607,560	59,744,801
Loans	2,621,076	2,611,192
Refundable deposits of derivative instruments	126,428	56,913
	<u>\$ 70,496,004</u>	<u>\$ 68,977,726</u>

(34) Expected credit loss (reversal) from investments and non-investments

	For the three months ended June 30,	
	2024	2023
Operating revenue-expected credit loss (reversal) from investments		
Debt instrument investments measured at fair value through other comprehensive income	\$ 1,498	\$ 17,053
Financial assets at amortised cost	49,562	848,273
Bond interest receivable	530,570	16,577
Loans and loan interest receivable	(16,466)	(20,390)
Lease payments receivable	171	(842)
	<u>565,335</u>	<u>860,671</u>
Operating expense-expected credit loss (reversal) from non-investments		
Receivable (excluding bond interest receivable and loan interest receivable)	(2)	6,432
Expected credit loss (reversal)	<u>\$ 565,333</u>	<u>\$ 867,103</u>

		For the six months ended June 30,	
		2024	2023
Operating revenue-expected credit loss (reversal) from investments			
Debt instrument investments measured at fair value through other comprehensive income	\$	10,023	\$ 13,753
Financial assets at amortised cost	(	344,402)	826,988
Bond interest receivable		839,686	11,410
Loans and loan interest receivable	(	28,582)	(41,224)
Lease payments receivable		1,553	3,085
		<u>478,278</u>	<u>814,012</u>
Operating expense-expected credit loss (reversal) from non-investments			
Receivable (excluding bond interest receivable and loan interest receivable)	(	9,744)	14,942
Expected credit loss (reversal)	\$	<u>468,534</u>	\$ <u>828,954</u>
(35) Financial costs			
		For the three months ended June 30,	
		2024	2023
Debt instrument investments	\$	502,727	\$ 360,579
Default interest for claims		16,761	13,916
Bonds sold under repurchase agreements		127,674	24,347
Lease liabilities		2,402	1,834
Refundable deposits of derivative instruments		1,675	2,107
	\$	<u>651,239</u>	\$ <u>402,783</u>
		For the six months ended June 30,	
		2024	2023
Debt instrument investments	\$	1,003,043	\$ 717,250
Default interest for claims		31,183	25,981
Bonds sold under repurchase agreements		206,974	62,362
Lease liabilities		4,321	3,257
Refundable deposits of derivative instruments		35,584	32,896
	\$	<u>1,281,105</u>	\$ <u>841,746</u>

(36) Employee benefit expenses, depreciation and amortisation

		For the three months ended June 30,	
		2024	2023
Employee benefit expenses			
Salaries	\$	1,847,020	\$ 1,716,814
Employees' insurance		109,768	104,070
Pension		119,422	113,880
Others		57,303	74,629
	\$	<u>2,133,513</u>	<u>\$ 2,009,393</u>
Depreciation and amortisation	\$	<u>622,809</u>	<u>\$ 585,067</u>
		For the six months ended June 30,	
		2024	2023
Employee benefit expenses			
Salaries	\$	3,465,089	\$ 3,093,767
Employees' insurance		266,116	253,486
Pension		236,260	228,314
Others		139,037	139,342
	\$	<u>4,106,502</u>	<u>\$ 3,714,909</u>
Depreciation and amortisation	\$	<u>1,216,112</u>	<u>\$ 1,113,383</u>

- A. As of June 30, 2024 and 2023, the Consolidated Company had 4,948 and 4,827 employees, respectively. The number of directors that were not concurrently employed were both 19.
- B. The Consolidated Company's Articles of Incorporation provided that the annual income, after deducting accumulated deficit, if any, shall be appropriated by no lower than 0.5% as employees' compensation for the Consolidated Company. For the three months and six months ended June 30, 2024 and 2023, the employees' compensation was accrued at \$74,225, \$31,446, \$130,576 and \$31,844, respectively. The amount was estimated with 0.5% based on the profitability of the Consolidated Company. There was no difference between the amounts resolved by the Board of Directors in 2023 amounting to \$124,038 and the amounts recognised in the 2023 financial statements. Information about employees' compensation of the Consolidated Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(37) Supplemental cash flow information

Investing activities with partial cash payments:

	For the six months ended June 30,	
	2024	2023
Acquisition of investment property	\$ 2,584,978	\$ 1,029,179
Acquisition of property and equipment	588,618	217,681
Increase in intangible assets	208,513	243,250
Add: Payable at beginning of period - investment property	565,292	485,201
Add: Payable at beginning of period - property and equipment	1,004	602
Add: Payable at beginning of period - intangible assets	9,501	10,533
Less: Payable at ending of period - investment property	(152,203)	(728,059)
Less: Payable at ending of period - intangible assets	(2,810)	(14,359)
Cash payments	<u>\$ 3,802,893</u>	<u>\$ 1,244,028</u>

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7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Consolidated Company</u>
Ruen Chen Investment Holding Co., Ltd.	Consolidated Company's parent
Ruentex Development Co., Ltd.	Entity having significant influence
Ruentex Industries Co., Ltd.	Entity having significant influence
Pou Chen Corporation	Entity having significant influence
Nan Shan Plaza Property Management Co., Ltd.	Consolidated Company's affiliate
Fuh Hwa Securities Investment Trust Co., Ltd.	Consolidated Company's affiliate (Note)
Huei Hong Investment Co., Ltd.	Other related party
Chang Chun Investment Co., Ltd.	Other related party
Yi Tai Investment Co., Ltd.	Other related party
Ruentex Interior Design Inc.	Other related party
Ruentex Management & Maintenance Co., Ltd.	Other related party
Ruentex Engineering & Construction Co., Ltd.	Other related party
Ruentex Materials Co., Ltd.	Other related party
Ruen Fu Newlife Corp.	Other related party
Kompass Global Sourcing Solutions Ltd.	Other related party
Ruentex Security Co., Ltd.	Other related party
Ruentex Xu-Zhan Development Co., Ltd.	Other related party
Ruentex Construction Development Co., Ltd.	Other related party
Ruentex Bai-Yi Development Co., Ltd.	Other related party
Ruentex Construction Co., Ltd.	Other related party
Ruentex Innovative Development Co., Ltd.	Other related party
Runyang Construction Co., Ltd.	Other related party
Ruen Shin Healthcare Co., Ltd.	Other related party
Shing Yen Construction Development Co., Ltd.	Other related party
Nan Shan Life Charity Foundation	Other related party
Sunny Friend Environmental Technology Co., Ltd.	Other related party
OBI Pharma Inc.	Other related party
Taimed Biologics Inc.	Other related party
Directors, key management and its close relatives	Key management and its close relatives

Note: On March 17, 2023, it was recognized as investment accounted for using equity method, please refer to Note 6(6) for details. Related significant transactions with related parties are only recorded starting from transaction date.

(2) Significant transactions and balances with related parties

Significant related party transactions and balances are as follows:

A. Premium income

	For the three months ended June 30,	
	2024	2023
Significant influence entities	\$ 3,511	\$ 3,635
Consolidated Company's affiliates	7	3
Key management and its close relatives	16,326	13,866
Other related parties	17,806	12,003
	<u>\$ 37,650</u>	<u>\$ 29,507</u>
	For the six months ended June 30,	
	2024	2023
Significant influence entities	\$ 7,340	\$ 7,399
Consolidated Company's affiliates	8	5
Key management and its close relatives	43,553	43,575
Other related parties	23,653	15,125
	<u>\$ 74,554</u>	<u>\$ 66,104</u>

There is no significant difference between related party and non-related party in terms of underwriting and collection.

B. Fee income

	For the three months ended June 30,	
	2024	2023
Consolidated Company's affiliates	<u>\$ 22,697</u>	<u>\$ 20,116</u>
	For the six months ended June 30,	
	2024	2023
Consolidated Company's affiliates	<u>\$ 46,410</u>	<u>\$ 26,627</u>

C. Donations (shown as administrative expenses)

	For the three months ended June 30,	
	2024	2023
Other related parties	<u>\$ 245</u>	<u>\$ 30,000</u>
	For the six months ended June 30,	
	2024	2023
Other related parties	<u>\$ 20,485</u>	<u>\$ 50,000</u>

D. Key management compensation

	For the three months ended June 30,	
	2024	2023
Salaries and other short-term employee benefits	\$ 155,895	\$ 149,654
Post-employment benefits	7,858	7,865
	<u>\$ 163,753</u>	<u>\$ 157,519</u>
	For the six months ended June 30,	
	2024	2023
Salaries and other short-term employee benefits	\$ 327,617	\$ 310,390
Post-employment benefits	15,534	15,497
	<u>\$ 343,151</u>	<u>\$ 325,887</u>

E. Other receivables (shown as receivables)

	June 30, 2024	December 31, 2023	June 30, 2023
Consolidated Company's affiliates	<u>\$ 100,803</u>	<u>\$ 99,724</u>	<u>\$ 98,848</u>

F. Balance of funds managed by related parties

	June 30, 2024	December 31, 2023	June 30, 2023
Consolidated Company's affiliates	<u>\$ 37,704,731</u>	<u>\$ 36,660,108</u>	<u>\$ 36,497,825</u>

The dividend income generated by the fund are as follows:

	For the three months ended June 30,	
	2024	2023
Consolidated Company's affiliates	<u>\$ 359,382</u>	<u>\$ 341,883</u>
	For the six months ended June 30,	
	2024	2023
Consolidated Company's affiliates	<u>\$ 723,408</u>	<u>\$ 417,896</u>

G. Secured loans

Balances of secured loans lent to key management and its close relatives are as follows:

	June 30, 2024	December 31, 2023	June 30, 2023
Key management and its close relatives	<u>\$ 30,952</u>	<u>\$ 38,518</u>	<u>\$ 48,323</u>

The related interest income on the loans are as follows:

	For the three months ended June 30,	
	2024	2023
Key management and its close relatives	<u>\$ 166</u>	<u>\$ 230</u>
	For the six months ended June 30,	
	2024	2023
Key management and its close relatives	<u>\$ 329</u>	<u>\$ 456</u>

There is no significant difference between related party and non-related party in terms of secured loans.

H. Bonds payable

	June 30, 2024	December 31, 2023	June 30, 2023
Significant influence entities	\$ 310,000	\$ 310,000	\$ 310,000
Other related party	500,000	500,000	500,000
	<u>\$ 810,000</u>	<u>\$ 810,000</u>	<u>\$ 810,000</u>

The interest expense and interest payable resulting from the abovementioned bonds payable are listed as follows:

(a) Interest expense

	For the three months ended June 30,	
	2024	2023
Significant influence entities	\$ 2,698	\$ 2,705
Other related party	4,352	4,362
	<u>\$ 7,050</u>	<u>\$ 7,067</u>
	For the six months ended June 30,	
	2024	2023
Significant influence entities	\$ 5,396	\$ 5,380
Other related party	8,703	8,677
	<u>\$ 14,099</u>	<u>\$ 14,057</u>

(b) Interest payable

	June 30, 2024	December 31, 2023	June 30, 2023
Significant influence entities	\$ 208	\$ 5,662	\$ 208
Other related party	336	9,133	335
	<u>\$ 544</u>	<u>\$ 14,795</u>	<u>\$ 543</u>

(3) Commitments

The Consolidated Company committed to the Financial Supervisory Commission, Executive Yuan on August 29, 2011, that it will not enter into any of the following transactions with Ruen Chen unless the regulatory agency approves it:

- A. Provide loans to Ruen Chen and its six stockholders (including Ruextax Development Co., Ltd., Ruentax Industries Ltd., Pou Chen Corp., Chang Chun Investment Co., Ltd., Yitai Investment Co., Ltd. and Hue Hong Investment Co., Ltd.), Samuel Yin, Tsai Chi Jui and their related parties (jointly referred herein as “Ruen Chen and its related parties”).
- B. Invest in common stock, preferred stock and other securities which are issued by Ruen Chen and its related parties.
- C. Purchase real estate from Ruen Chen and its related parties.
- D. Co-develop real estate with Ruen Chen and its related parties.

8. PLEDGED ASSETS

Please refer to Note 6(16) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

- A. The Consolidated Company had signed the design and construction contracts but has not yet recognised the amounts (tax included) as follows:

June 30, 2024	December 31, 2023	June 30, 2023
\$ 24,639,619	\$ 10,431,690	\$ 10,818,173

- B. Operating lease agreements

Please refer to Note 6(13).

- C. As of June 30, 2024, the upper limit of remaining capital commitment for the contracted private placement of the Consolidated Company are US\$2,948,991 thousand and EUR\$491,441 thousand.

(2) Contingencies

The Consolidated Company has contingent liabilities due to lawsuits arising from operating activities. Except for those which the Consolidated Company already estimated the provisions, the Consolidated Company still has several lawsuits in progress, which are handled by appointed attorneys. As of the end of the reporting period, the final results of the lawsuits have not been determined so the possible compensation could not be reliably estimated. For details of the labor pension dispute between agents and the Consolidated Company, please refer to Note 6(26).

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

In accordance with the resolution of the Board of Directors on May 30, 2024, the Consolidated Company established a wholly-owned special purpose entity in Singapore for the purpose of issuing capital nature bonds and managing the funds to strengthen the financial structure and enhance capital. This was approved by the Financial Supervisory Commission on July 2, 2024 (Letter No. 1130140191) and subsequently approved by the Singapore regulatory authorities on July 26, 2024. The initial capital investment amounted to USD 20 million.

12. FAIR VALUE INFORMATION

(1) Fair value hierarchy

The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Consolidated Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Consolidated Company's investment in government bonds, corporate bonds, bank debentures, structured time deposits, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Consolidated Company investment in private fund, real estate securitisation, infrastructure fund, unlisted stocks, financial assets at amortised cost and investment property is included in Level 3.

(2) Fair value

A. For the Consolidated Company's financial instruments that are not measured at fair value and the investment property measured at cost, such as cash and cash equivalents, accounts receivable, loans, accounts payable and bonds payable, the carrying amount is a reasonable approximation of fair value other than those listed below so that the fair value is not disclosed.

June 30, 2024				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,507,170,152	\$ -	\$ 2,532,021,646	\$ 56,853,258
Investment property (Note 2)	3,025,345	-	-	4,783,627

December 31, 2023				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,346,999,718	\$ -	\$ 2,520,817,419	\$ 79,484,828
Investment property (Note 2)	3,043,404	-	-	4,894,895

June 30, 2023				
Financial assets	Book value	Level 1	Level 2	Level 3
Financial assets at amortised cost (Note 1)	\$ 3,362,528,133	\$ -	\$ 2,583,885,957	\$ 79,749,963
Investment property (Note 2)	3,058,360	-	-	5,079,608

Note 1 : Including statutory deposits.

Note 2 : Excluding direct lease cost, investment property measured in the fair value model and those shown under construction in progress.

The methods and assumptions used to value financial instruments and investment property not measured at fair value are summarised below:

- (a) When there is a quoted market price available for financial assets at amortised cost, the fair value is determined using the quoted market price. If there is no quoted market price for reference, the fair value is determined using quoted price offered by the counterparties or theory price in order.
- (b) The valuation method elected primarily by the Consolidated Company is discounted cash flow method. The estimates and assumptions of valuation adopted by the Consolidated Company are the same with the information used by the market participants, and this information is available for the Consolidated Company. The discount rate employed by the Consolidated Company is identical with the rate of return generated by the financial instruments with the same terms and characteristics, such as issuer's creditworthiness, duration and currency of payment.
- (c) The fair value of investment property is based on valuations performed semi-annually by independent estimators, following Regulation on Real Estate Appraisal. Valuations are performed using valuation techniques such as income approach, comparison approach and cost approach with reference to market information. Such fair value is based on observable market price, and then adjusted by the nature, location or condition of individual asset.

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B. The Consolidated Company's financial instruments and investment property measured at fair value are both measured on a recurring basis. Information of fair value hierarchy is as follows:

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 333,792,512	\$ -	\$ -	\$ 333,792,512
Beneficiary certificates	411,678,335	-	209,624,874	621,303,209
Debt instruments	-	29,506,956	4,665,108	34,172,064
Derivative instruments	-	937,202	-	937,202
Structured time deposits	-	15,102,405	-	15,102,405
Financial assets at fair value through other comprehensive income				
Equity instruments	6,151,855	-	288,334	6,440,189
Debt instruments (Note)	-	252,873,533	15,582,238	268,455,771
Investment property	-	-	207,132,052	207,132,052
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	53,621,151	-	53,621,151

Note: Including statutory deposits.

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 297,393,592	\$ -	\$ -	\$ 297,393,592
Beneficiary certificates	412,491,694	-	204,550,614	617,042,308
Debt instruments	-	14,738,011	22,834,271	37,572,282
Derivative instruments	-	39,857,952	-	39,857,952
Structured time deposits	-	16,215,558	-	16,215,558
Financial assets at fair value through other comprehensive income				
Equity instruments	5,573,872	-	257,031	5,830,903
Debt instruments (Note)	-	251,521,556	12,762,999	264,284,555
Investment property	-	-	213,135,929	213,135,929
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	5,287,505	-	5,287,505
Note: Including statutory deposits.				

June 30, 2023				
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Equity instruments	\$ 288,616,945	\$ -	\$ -	\$ 288,616,945
Beneficiary certificates	408,731,414	-	206,243,130	614,974,544
Debt instruments	-	15,882,682	24,430,979	40,313,661
Derivative instruments	-	1,265,765	-	1,265,765
Structured time deposits	-	16,003,359	-	16,003,359
Financial assets at fair value through other comprehensive income				
Equity instruments	5,423,132	-	228,644	5,651,776
Debt instruments (Note)	-	270,943,146	15,941,577	286,884,723
Investment property	-	-	213,480,682	213,480,682
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	35,275,298	-	35,275,298

Note: Including statutory deposits.

- (a) The methods and assumptions used to value financial instruments and investment property measured at fair value are summarised below:
- I. The sources of the fair value of financial instruments are respectively listed by their characteristics as follows:
 - (i) Equity instruments: Aside from private funds, some real estate securitisation and infrastructure funds which are valued based on the theory price, other equity instruments prioritise using unadjusted closing prices as the basis for measuring market prices of financial products. If there are no closing prices, the fair value is determined by using other pricing conventions.
 - (ii) Domestic debt instruments (including international bonds): Prioritise using public pricing information bulletined by the Taipei Exchange.
 - (iii) Foreign debt instruments: Except callable bonds, securitised products, structured products and securities which the position of single fixed income account for more than 50% of total issuance amount when raising funds, prioritise using the quoted market price as the basis for measuring financial products.
 - II. Except for aforementioned financial instruments with public pricing information, the fair value of other financial instruments is measured by valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the end of reporting date.
 - (i) When assessing non-standard and low-complexity financial instruments, for example, FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps, the Consolidated Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - (ii) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to debt instruments with structured notes and structured time deposit. Certain inputs used in the valuation model are observable at market, and the Consolidated Company must make reasonable estimates based on its assumptions.
 - (iii) The Consolidated Company adopts the net asset value method to measure the fair value of private funds, some securitised products, infrastructure funds and unlisted stocks. The inputs used in the valuation model are unobservable inputs.
 - III. The Consolidated Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Consolidated Company's credit quality.
 - IV. For the valuation methods, key assumptions and inputs used in the investment property measured subsequently using the fair value model, please refer to Note 6(10).
- (b) For the six months ended June 30, 2024 and 2023, there was no transfer between Level 1 and Level 2.

(c) The movement of Level 3 instruments is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2024	\$ 227,384,885	\$ 13,020,030
Recognised in profit or loss (Note 1)	-	484,266
Recognised in other comprehensive income (Note 2)	11,740,652 (	355,289)
Acquired in the period	10,709,831	3,168,767
Disposed of in the period and others	(17,145,389) (	447,202)
Transfers out from level 3	(18,399,997)	-
June 30, 2024	<u>\$ 214,289,982</u>	<u>\$ 15,870,572</u>

	Investment property
January 1, 2024	\$ 213,135,929
Recognised in profit or loss (Note 1)	(1,062,192)
Acquired in the period	1,321,844
Transferred from property and equipment	205,269
Disposed of in the period	(5,564,087)
Transferred to property and equipment	(790,691)
Adjustment of lease liabilities remeasurement	(44,761)
Others	(69,259)
June 30, 2024	<u>\$ 207,132,052</u>

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
January 1, 2023	\$ 234,119,783	\$ 18,250,154
Recognised in profit or loss (Note 1)	(26,637)	6,516
Recognised in other comprehensive income (Note 2)	(1,256,840)	(162,030)
Acquired in the period	11,661,498	122,560
Disposed of in the period	(13,823,695)	(2,046,979)
June 30, 2023	<u>\$ 230,674,109</u>	<u>\$ 16,170,221</u>
	<u>Investment property</u>	
January 1, 2023	\$ 192,827,191	
Recognised in profit or loss (Note 1)	(568,650)	
Acquired in the period	16,773,853	
Transferred from constructions in progress	1,789,513	
Transferred from prepayments for buildings and lands	2,716,770	
Transferred to property and equipment	(47,185)	
Adjustment of lease liabilities remeasurement	(2,780)	
Others	(8,030)	
June 30, 2023	<u>\$ 213,480,682</u>	

Note 1: The amount of loss for the reporting period relating to those assets and liabilities held for the six months ended June 30, 2024 and 2023 are \$585,609 and \$573,682, respectively.

Note 2: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

- (d) The valuation for financial instruments categorised as Level 3 by the Consolidated Company is valued with an independent source of information to approximate current market condition, which the source is ensured to be reasonable by confirming the independence, accountability, whether it is in line with other information and whether it represents the executable prices. The result of valuation is also ensured by periodically calibrating valuation models, updating inputs of models and making fair value adjustments if necessary. The Consolidated Company's policy of fair value measurement for financial instruments and valuation procedures are formulated with reference to IFRSs and consideration of practical operation. The appraisal of investment property would be done by appointed external appraisers according to the valuation approach and parameter assumptions released by the Financial Supervisory Commission.

(e) The following is the qualitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement, please refer to Note 6(10) for the investment property.

	<u>Fair value at June 30, 2024</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 158,115,558	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,112,074	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	49,397,242	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	288,334	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,777,650	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	4,665,108	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	9,804,588	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

	<u>Fair value at December 31, 2023</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative					
Private fund	\$ 151,305,609	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,038,105	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	51,206,900	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	257,031	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	5,801,400	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	22,834,271	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,961,599	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

	Fair value at June 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative					
Private fund	\$ 153,648,538	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Real estate securitisation	2,359,906	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Infrastructure fund	50,234,686	Net asset value	Net asset value	Not applicable	The higher the net asset value, the higher the fair value
Unlisted stocks	228,644	Adjusted net asset method	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
Corporate bonds	6,261,290	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Financial debentures	26,213,380	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Foreign government bonds	1,161,189	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)
Collateralised mortgage obligation	6,736,697	Not applicable (Note)	Not applicable (Note)	Not applicable	Not applicable (Note)

Note: Due to no quoted prices in active markets, the counterparty quotes were considered while the relationship between significant unobservable input data and fair value cannot be fully controlled in practice. Therefore, no additional qualitative information on the fair value of the Consolidated Company's investments in debt instruments classified as Level 3 was disclosed.

(f) Sensitivity analysis of the fair value of financial assets and financial liabilities classified as Level 3

The fair value measurement that the Consolidated Company made onto the financial instruments is deemed reasonable. For those financial instruments which are classified in Level 3 and not valued by the Consolidated Company, the relationship between the significant unobservable inputs and fair value can not be completely obtained in practice, therefore, no sensitivity analysis of possible alternative assumptions will be implemented. For those financial instruments which are evaluated by the Consolidated Company, if the movement of valuation or parameter increases or decreases by 1%, the effects to profit or loss for the year or other comprehensive income are as follows:

June 30, 2024				
		Increase by 1%	Decrease by 1%	
		Effect on profit or loss	Effect on other comprehensive income	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 2,096,249	\$ - (\$ 2,096,249)
Financial assets at fair value through other comprehensive income		-	3,230	(3,230)
December 31, 2023				
		Increase by 1%	Decrease by 1%	
		Effect on profit or loss	Effect on other comprehensive income	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$	-	\$ 2,045,506	\$ - (\$ 2,045,506)
Financial assets at fair value through other comprehensive income		-	2,814	(2,814)

June 30, 2023

	Increase by 1%		Decrease by 1%	
	Effect on profit or loss	Effect on other comprehensive income	Effect on profit or loss	Effect on other comprehensive income
Assets				
Financial assets at fair value through profit or loss (Note)	\$ -	\$ 2,062,431	\$ -	(\$ 2,062,431)
Financial assets at fair value through other comprehensive income	-	2,666	-	(2,666)

Note: For financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

13. RISK MANAGEMENT

The Consolidated Company, based on ERM Guideline established Risk Management Policy as a guidance for the Consolidated Company's solid risk management mechanism and practices to ensure capital adequacy, solvency, and stronger business development.

(1) Goals, Policies, and Procedures of Risk Management

Except for the following, there was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2023.

Responsibilities of the Consolidated Company's Risk Management at All Levels

A. Board of Directors

The Board of Directors is the highest supervisory and decision-making body for the Company's risk management, bearing the ultimate responsibility for overall risk management. The Board should approve risk management policies based on overall operational strategies and business environment, review risk appetite and risk limits annually, supervise the effective operation of the risk management mechanism, and make appropriate adjustments if necessary. The Board authorizes the Risk Management Department to handle matters related to violations of risk limits by other units.

B. Risk Management Committee

The Risk Management Committee is subordinate to the Board of Directors, and its establishment and responsibilities are handled according to the "Risk Management Committee Charter" approved by the Board of Directors. The convener is an independent director who coordinates risk management matters.

C. Risk Management Department

The Risk Management Department is responsible for assisting in formulating and implementing the risk management policies, risk appetite, and risk limits approved by the Board of Directors. It also coordinates and communicates with various units to implement policies and limits based on risk information provided by each unit and regularly monitors the risk management execution status of each business unit.

(2) Insurance Risk

Life insurance

Except for the following, there was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2023.

A. Insurance risk sensitivities – insurance contracts

With respect to the insurance portfolio of the Consolidated Company as of June 30, 2024, December 31, 2023, and June 30, 2023, the liabilities will still be adequate even when the mortality, morbidity, withdrawal rates and expense ratios assumptions adversely change by 10% or new investment returns drop by 25 basis points.

B. Credit risk, liquidity risk and market risk of the insurance contracts

The table below shows the net liability cash flow analysis of the insurance portfolio of the Consolidated Company by maturity date. The figures reflect, for the in-force policies as at the valuation date, the estimation of undiscounted total insurance benefit payments, expense and other outflows, net of insurance premiums and other income at each future point of time. The future actual amounts may vary as the actual experience may be different from the expected experience.

Net cash flows used in (provided by) the insurance contracts:

	June 30, 2024	December 31, 2023	June 30, 2023
Under 1 year	\$ 72,791,988	\$ 69,699,264	\$ 83,611,416
1 ~ 3 years	237,689,426	239,153,465	235,875,191
Over 3 years	10,280,137,578	9,976,066,977	10,063,268,013
	<u>\$ 10,590,618,992</u>	<u>\$ 10,284,919,706</u>	<u>\$ 10,382,754,620</u>

The Consolidated Company has insurance contracts that are classified as liabilities on insurance products - separate account. However, such liabilities are repaid based on investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

With respect to the holder of policy dividend payable, as such liability has no fixed maturity date, it is excluded from the maturity analysis.

Property insurance

Except for the following, there was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2023.

A. Illustration about the insurance risk concentration

The risk of insurance contracts accepted by the Consolidated Company are scattered across all types of insurance and only the car insurance business bear a higher concentration of risk. Nevertheless, the risk does not change significantly given stable experience in the loss of car insurance and risk aversion through ceding reinsurance. As for other types of insurance, there is no such risk concentration.

The insurance risk concentration of the premium revenue from direct underwriting and retained premium earned accrued by the Consolidated Company's car insurance is listed below: (excluding compulsory insurance)

For the three months ended June 30, 2024		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 1,128,696	\$ 968,551
For the three months ended June 30, 2023		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 982,591	\$ 721,465
For the six months ended June 30, 2024		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 2,290,468	\$ 1,858,206
For the six months ended June 30, 2023		
Insurance type	Direct earned gross premium	Self-retained earned premium
Car insurance	\$ 2,010,755	\$ 1,370,509

B. Sensitivity analysis of insurance risk

The Consolidated Company estimates claims provisions mainly through loss development model and the expected loss rate to each type of insurance. Given that the estimates will be affected by the amendment to the laws, changes in the method of claims payment or future prospect, therefore, the Consolidated Company conducted sensitivity analysis of insurance risk using expected loss rate.

On the basis of one-year retention earned premium income, as of June 30, 2024, December 31, 2023 and June 30, 2023, the profit or loss of the Consolidated Company was barely affected by 5% increase in the calculated final rate of loss.

C. Liquidity risk of insurance contracts

Liquidity risk of insurance contract mainly happens when a Company is unable to realise assets immediately or acquire adequate capital leading to the risk of failure to fulfil obligations from various insurance contract liabilities. To ensure the instantaneity of liquidity risk management, except for regular review toward the matching of assets and liabilities, the Consolidated Company also performs cash flow analysis for the insurance business and its investments and separately reviews revenue and expenditures from the insurance industry and investment. A table of cash flow estimation is also created and used as a basis for fund procurement in order to cope with needs for various fund liquidity. Besides, the Consolidated Company's working capital is sufficient for liquidity requirements, therefore there is no liquidity risk regarding inability to raise funds for meeting contractual obligations.

D. Claim development trend

The accumulated claim development trend in the past years refer to the development trend of listed claims. Each accident year refers to the year of insured accident happened; the horizontal rows represent development year of the accidents and the diagonal lines represent the accumulated reported claims of each accident year. The incurred claims here include unsettled and settled claims which explain how the Consolidated Company calculates each accident year's claims over time.

(a) Claim development pattern of the Consolidated Company's direct business

The following tables are the reconciliation between the Consolidated Company's accumulated claim and the claim reserve on the balance sheet of the end of reporting periods.

June 30, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2015	\$ 32,990,191	\$ 32,369,852	\$ 32,384,655	\$ 32,382,505	\$ 32,387,667	\$ 32,387,039	\$ 32,387,207	\$ 32,386,032	\$ 32,386,194	\$ 32,386,165
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644	1,106,633	
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152	1,411,168		
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845	2,078,953			
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362	2,679,991				
2020	2,753,598	3,042,918	3,101,186	3,075,680	3,080,447					
2021	2,564,836	2,908,470	2,976,594	3,013,476						
2022	4,990,262	5,572,954	5,934,275							
2023	3,516,206	4,181,019								
2024 (1 to 6)	1,063,166									
(1)Accumulated Reported claims of direct business										56,935,293
(2)Accumulated Paid claims of direct business										55,257,243
(3)Reported But Not Paid claim reserve of direct business										1,678,050
(4)Not reported claim reserve of direct business										1,636,232
(5)Assumed claim reserve										223,660
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,537,942

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the six months ended June 30, 2024.

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 31,848,407	\$ 31,913,258	\$ 31,273,866	\$ 31,275,309	\$ 31,273,960	\$ 31,275,236	\$ 31,273,590	\$ 31,273,779	\$ 31,273,700	\$ 31,273,921
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332	1,112,273	
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,644		
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,411,152			
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,078,845				
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,673,362					
2020	2,753,598	3,042,918	3,101,186	3,075,680						
2021	2,564,836	2,908,470	2,976,594							
2022	4,990,262	5,572,954								
2023	3,516,206									
(1)Accumulated Reported claims of direct business										54,797,631
(2)Accumulated Paid claims of direct business										53,179,507
(3)Reported But Not Paid claim reserve of direct business										1,618,124
(4)Not reported claim reserve of direct business										1,358,643
(5)Assumed claim reserve										207,307
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,184,074

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the year ended December 31, 2023.

June 30, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 31,848,407	\$ 31,913,258	\$ 31,273,866	\$ 31,275,309	\$ 31,273,960	\$ 31,275,236	\$ 31,273,590	\$ 31,273,779	\$ 31,273,700	\$ 31,273,923
2015	1,076,933	1,095,986	1,109,346	1,108,545	1,112,431	1,113,448	1,113,429	1,112,332	1,112,293	
2016	984,639	1,100,021	1,102,169	1,107,608	1,106,810	1,106,734	1,106,734	1,106,666		
2017	1,169,894	1,343,278	1,405,293	1,408,669	1,408,629	1,410,220	1,410,982			
2018	1,749,381	2,043,103	2,088,478	2,093,736	2,092,458	2,079,314				
2019	2,427,669	2,692,854	2,700,442	2,670,218	2,668,823					
2020	2,753,598	3,042,918	3,101,186	3,083,015						
2021	2,564,836	2,908,470	2,958,919							
2022	4,990,262	5,454,137								
2023 (1 to 6)	1,538,742									
(1)Accumulated Reported claims of direct business										52,686,814
(2)Accumulated Paid claims of direct business										51,059,683
(3)Reported But Not Paid claim reserve of direct business										1,627,131
(4)Not reported claim reserve of direct business										1,371,029
(5)Assumed claim reserve										205,808
(6)Claim reserve of direct business=(3)+(4)+(5)										\$ 3,203,968

Note: The most recent balance in the diagonal refers to accumulated reported claims of direct business for the six months ended June 30, 2023.

(b) Claim development pattern of the Consolidated Company's retention business

The following tables are the claim development pattern as of the end of reporting periods:

June 30, 2024										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2015	\$ 22,986,396	\$ 22,398,835	\$ 22,424,237	\$ 22,448,673	\$ 22,452,060	\$ 22,453,226	\$ 22,453,333	\$ 22,452,199	\$ 22,452,075	\$ 22,452,054
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697	1,085,687	
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781	1,026,796		
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585	1,295,438			
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051	1,669,224				
2020	1,467,417	1,707,557	1,732,302	1,730,693	1,735,351					
2021	1,435,037	1,580,008	1,616,831	1,643,679						
2022	3,754,820	4,116,146	4,319,315							
2023	2,664,721	3,181,738								
2024 (1 to 6)	1,000,746									
(1)Accumulated Reported claims of retention business										39,410,028
(2)Accumulated Paid claims of retention business										38,168,613
(3)Reported But Not Paid claim reserve of retention business										1,241,415
(4)Not reported claim reserve of retention business										1,205,926
(5)Claim reserve of retention business=(3)+(4)										\$ 2,447,341

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the six months ended June 30, 2024.

December 31, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 21,544,209	\$ 22,097,298	\$ 21,398,487	\$ 21,397,633	\$ 21,399,175	\$ 21,399,729	\$ 21,399,814	\$ 21,399,941	\$ 21,399,904	\$ 21,399,840
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295	1,052,236	
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,697		
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,781			
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,295,585				
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,663,051					
2020	1,467,417	1,707,557	1,732,302	1,730,693						
2021	1,435,037	1,580,008	1,616,831							
2022	3,754,820	4,116,146								
2023	2,664,721									
(1)Accumulated Reported claims of retention business										37,651,581
(2)Accumulated Paid claims of retention business										36,585,236
(3)Reported But Not Paid claim reserve of retention business										1,066,345
(4)Not reported claim reserve of retention business										996,122
(5)Claim reserve of retention business=(3)+(4)										\$ 2,062,467

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the year ended December 31, 2023.

June 30, 2023										
Accident Year	Development Year (Note)									
	1	2	3	4	5	6	7	8	9	10
≤ 2014	\$ 21,544,209	\$ 22,097,298	\$ 21,398,487	\$ 21,397,633	\$ 21,399,175	\$ 21,399,729	\$ 21,399,814	\$ 21,399,941	\$ 21,399,904	\$ 21,399,878
2015	889,098	1,000,348	1,026,603	1,049,499	1,052,331	1,053,412	1,053,392	1,052,295	1,052,256	
2016	897,946	1,018,563	1,060,086	1,086,279	1,085,847	1,085,792	1,085,792	1,085,720		
2017	780,139	924,600	1,010,526	1,026,422	1,025,382	1,026,351	1,026,631			
2018	990,722	1,210,946	1,292,387	1,303,982	1,303,123	1,296,033				
2019	1,383,181	1,608,308	1,668,026	1,659,799	1,658,587					
2020	1,467,417	1,707,557	1,732,302	1,728,455						
2021	1,435,037	1,580,008	1,608,379							
2022	3,754,820	4,061,689								
2023 (1 to 6)	1,164,993									
(1)Accumulated Reported claims of retention business										36,082,621
(2)Accumulated Paid claims of retention business										35,100,795
(3)Reported But Not Paid claim reserve of retention business										981,826
(4)Not reported claim reserve of retention business										993,682
(5)Claim reserve of retention business=(3)+(4)										\$ 1,975,508

Note: The most recent balance in the diagonal refers to accumulated reported claims of retention business for the six months ended June 30, 2023.

(3) Financial risk

Financial risk is the risk when future cash flows are insufficient to pay for insurance contract and investment contract. The Consolidated Company establishes the risk management mechanism and control system for the financial assets, to effectively identify, measure, respond and monitor the Consolidated Company's exposure risks, including credit risk, liquidity risk, market risk, operational risk, etc.

The Consolidated Company undertakes derivative financial instruments such as FX swap contracts, cross currency swaps, non-delivery forwards, delivery forwards and interest rate swaps. The primary purpose is to avoid the exchange rate risk and the interest rate risk from investments. To effectively monitor and control the financial risk, the management considers the changes in the economic environment and the competition of market and adopts different strategies against different financial risks as follows:

A. Credit risk

Credit risk refers to the risk of financial loss to the Consolidated Company arising from default by the clients or counterparties of financial instruments on the contract obligations. As for the securities investment, the Consolidated Company adopts the credit ratings and research reports issued by the external credit rating agencies and public information about the counterparties and issuers with referring to relevant information in the market at the same time. Moreover, the Consolidated Company measures the upper limit for investment in a single issuer and controls the credit risks of the underlying securities, the issuers, and the counterparties so that the credit risks faced by the Consolidated Company can be effectively mitigated. In addition, the Consolidated Company established credit exposure ratio in relation to country and industry to avoid high concentration of credit exposure. For loan business, the Consolidated Company stipulates regulations on credit checking for implementing thorough credit assessment aiming to ensure that the transactional counterparty meets loan standard and provides adequate collaterals and effectively reduce the credit risk.

(a) The Consolidated Company adopts following assumptions to assess whether the credit risk on that instrument has significantly increased since initial recognition:

- I. Receivables, loans and other financial assets at amortised cost (excluding interest receivables from bonds):
 - (i) If the contract payments were overdue for more than 30 days based on the terms, the credit risk of that instrument would be regarded as having significantly increased since initial recognition.
 - (ii) According to the internal and external information, the Consolidated Company identified that there has been a significant increase in credit risk based on its professional judgement on credit risk and the relative historical experience.
- II. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):
 - (i) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the credit rating have been downgraded for more than 3 notches (including 3 notches) since initial recognition, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.

- (ii) As of balance sheet date, if those debt instruments that have been rated as non-investment grade, and the percentage of unrealised valuation loss on those debt investments is more than 50% of their carrying amount for three consecutive months, the Consolidated Company assumes that there has a significant increase in credit risk on the investment objects.
- (b) The definition of the default of financial assets made by the Consolidated Company is consistent with the judgements, which are used to assess whether the credit of financial assets were impaired. If one or several of the followings unfavorable effects incurred, the credit of financial assets is considered as impaired:
 - I. Significant financial difficulty of the issuer or obligor; or
 - II. Default or delinquency in interest or principal repayments; The Consolidated Company adopts the premise under IFRS 9, the default occurs when the contract payments (excluding bond investments) are overdue for more than 90 days.
 - III. The obligee, for economic or contractual reasons relating to the obligor's financial difficulty, granted the obligor a concession that an obligee would not otherwise consider;
 - IV. It becomes probable that the obligor will enter bankruptcy or other financial reorganisation;
 - V. The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - VI. Others.
- (c) Measurement of expected credit loss

The Consolidated Company measures the 12-month probability of default for financial instruments that the credit risk has not significantly increased since initial recognition. While for those that the credit risk has significantly increased or credit impairment has occurred since initial recognition, the lifetime probability of default would be measured. The expected credit losses would then be calculated respectively with the multiplication of loss given default, the probability of default mentioned above, and the exposure default while taking the time value of money and forward-looking adjustments into consideration.

 - I. Receivables (excluding interest receivables from bonds and interest receivable from loans) and other financial assets at amortised cost:

The loss given default is assessed based on the internal historical data. In addition, the Consolidated Company weighted the average of probability of default for the past 3 years and takes into consideration the forecast of overseas and domestic economic data in order to measure the predicted 12-month probability of default. Furthermore, since the lifetime of the Consolidated Company's receivables usually is within 12 months, the lifetime probability of default is consistent with the 12-month probability of default. Exposure at default is measured based on the carrying amount of receivables.
 - II. Loans (including interest receivable from loans):

The Consolidated Company established the 3-year average transition matrix based on the historical information of secured loans and takes into consideration the forward-looking economic variables to measure the predicted 12-month probability of default, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. The Consolidated Company calculates loss given default with discounted cash flows using the effective-interest-rate method, according to both the location of collaterals and the historical recovery rate of secured loans. Exposure at default is measured based on the principle and the carrying amount of interest receivable.

III. Investments in debt instruments at amortised cost and at fair value through other comprehensive income (including interest receivables from bonds):

The Consolidated Company measures the predicted 12-month probability of default using the historical probability of default regularly issued by the international credit rating agencies, which will be adjusted by forward-looking information such as the observable macroeconomics forecast, and calculates the multi-year cumulative probability of default using the transition matrix of the Markov Chain. Loss given default is measured based on the historical probability of default regularly issued by the international credit rating agencies, and exposure at default is measured based on the amortised cost of financial instruments.

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(d) Movements in the Consolidated Company's allowance for credit loss for receivables (excluding bond interest receivable and loan interest receivable) are as follows:

	2024				
	Life time expected credit loss			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets (Note)		Total
At January 1	\$ 58,238	\$ -	\$ 3,376,168	\$ 1,082	\$ 3,435,488
(Recovery) provision of account receivable at current period	(14,636)	-	851,476	796	837,636
Write-offs - other	-	-	(77)	-	(77)
Changes in risk parameters	2,509	-	-	-	2,509
Changes in exchange	-	-	191,855	-	191,855
At June 30	<u>\$ 46,111</u>	<u>\$ -</u>	<u>\$ 4,419,422</u>	<u>\$ 1,878</u>	<u>\$ 4,467,411</u>

Note: Including principal and accrued interest of Russian-related debt instruments reclassified to overdue receivables, with allowance for losses amounting to \$4,366,065 and \$3,326,092 as of June 30, 2024 and January 1, 2024, respectively.

2023

	<u>Life time expected credit loss</u>			<u>Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'</u>		<u>Total</u>
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets			
At January 1	\$ 41,755	\$ -	\$ 47,761	\$	851	\$ 90,367
Provision of account receivable at current period	7,909	-	1,246		685	9,840
Write-offs - other	-	-	(35)	-	(35)	
Changes in risk parameters	8,192	-	-	-	-	8,192
Changes in exchange	-	-	1	-	-	1
At June 30	<u>\$ 57,856</u>	<u>\$ -</u>	<u>\$ 48,973</u>	<u>\$</u>	<u>1,536</u>	<u>\$ 108,365</u>

(e) Movements in the Consolidated Company's allowance for credit loss for loans are as follows:

2024

	<u>Life time expected credit loss</u>			Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'		Total
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets			
At January 1	\$ -	\$ 85	\$ 1,137	\$	175,072	\$ 176,294
Changes in financial instruments that have been identified at the beginning of year:						
-Transfer to 12-months expected credit loss	2 (	2)	-	-	-	-
-Derecognition of financial assets at current period	- (	7) (	165)	-	(	172)
Difference on impairment recognised according to 'Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises'	-	-	- (	18,119)	(	18,119)
Changes in risk parameters	(2)	(42)	(4)	-	(	48)
At June 30	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 968</u>	<u>\$</u>	<u>156,953</u>	<u>\$ 157,955</u>

	2023				
	Life time expected credit loss			Difference on impairment recognised according to ‘Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises’	
	12-months expected credit loss	Significant increase in credit risk (group assessment)	Credit impaired financial assets		Total
At January 1	\$ 27	\$ 303	\$ 1,641	\$ 224,366	\$ 226,337
Changes in financial instruments that have been identified at the beginning of year:					
-Transfer to 12-months expected credit loss	98	(98)	-	-	-
-Derecognition of financial assets at current period	(18)	(17)	(290)	-	(325)
Difference on impairment recognised according to ‘Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises’	-	-	-	(26,265)	(26,265)
Changes in risk parameters	(107)	(57)	(30)	-	(194)
At June 30	<u>\$ -</u>	<u>\$ 131</u>	<u>\$ 1,321</u>	<u>\$ 198,101</u>	<u>\$ 199,553</u>

- (f) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at fair value through other comprehensive income are as follows:

	2024			
	Life time expected credit loss			
	Significant increase in			
	12-months	credit risk	Credit impaired	Total
	expected credit loss	(group assessment)	financial assets	
At January 1	\$ 50,420	\$ 84,606	\$ 1,139,203	\$ 1,274,229
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(3,933)	-	-	(3,933)
Originated or purchased new financial assets	9,403	-	-	9,403
Changes in risk parameters	265	(833)	-	(568)
Changes in exchange and others	2,128	1,179	90,402	93,709
At June 30	<u>\$ 58,283</u>	<u>\$ 84,952</u>	<u>\$ 1,229,605</u>	<u>\$ 1,372,840</u>

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2023				
	12-months expected credit loss	Life time expected credit loss		Total
		Significant increase in credit risk (group assessment)	Credit impaired financial assets	
At January 1	\$ 42,148	\$ 82,172	\$ 1,619,715	\$ 1,744,035
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(2,353)	-	(8,442)	(10,795)
Originated or purchased new financial assets	6,533	-	-	6,533
Changes in risk parameters	7,282	5,103	-	12,385
Changes in exchange and others	382	(1,663)	(467,803)	(469,084)
At June 30	<u>\$ 53,992</u>	<u>\$ 85,612</u>	<u>\$ 1,143,470</u>	<u>\$ 1,283,074</u>

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(g) Movements in the Consolidated Company's allowance for credit loss for debt instrument investments at amortised cost are as follows:

	2024			
	Life time expected credit loss			
	12-months	Significant increase in	Credit impaired	Total
	expected credit loss	credit risk (group assessment)	financial assets	
At January 1	\$ 916,568	\$ 5,631,271	\$ 876,077	\$ 7,423,916
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(9,547)	(14,952)	(200,225)	(224,724)
Originated or purchased new financial assets	21	-	-	21
Changes in risk parameters	2,467	3,251	-	5,718
Changes in exchange and others	50,796	184,797	59,096	294,689
At June 30	<u>\$ 960,305</u>	<u>\$ 5,804,367</u>	<u>\$ 734,948</u>	<u>\$ 7,499,620</u>

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	2023			
	Life time expected credit loss			
	Significant increase in			
	12-months expected credit loss	credit risk (group assessment)	Credit impaired financial assets	Total
At January 1	\$ 691,012	\$ 5,255,199	\$ 1,135,116	\$ 7,081,327
Changes in financial instruments that have been identified at the beginning of year:				
-Derecognition of financial assets at current period	(8,989)	(25,320)	-	(34,309)
Originated or purchased new financial assets	7,867	-	-	7,867
Changes in risk parameters	237,148	712,748	-	949,896
Changes in exchange and others	8,152	(18,809)	(227,507)	(238,164)
At June 30	<u>\$ 935,190</u>	<u>\$ 5,923,818</u>	<u>\$ 907,609</u>	<u>\$ 7,766,617</u>

- (h) The expected loss rate of the Consolidated Company's bond interest receivable, debt instrument investments at amortised cost and debt instrument investments at fair value through other comprehensive income(Note) are as follows:

June 30, 2024			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%~0.44%	0.12%~1.22%	6.57%
Debt instrument investments at fair value through other comprehensive income	0.00%~0.44%	4.40%~6.64%	4.88%~5.97%
Debt instrument investments at amortised cost	0.00%~0.19%	4.50%~16.14%	5.99%~9.06%
December 31, 2023			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.44%	0.12%~1.22%	6.30%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.44%	4.71%~6.87%	4.47%~5.81%
Debt instrument investments at amortised cost	0.00%-0.21%	4.85%~16.30%	5.84%~9.53%
June 30, 2023			
	12-months expected credit loss	Life time expected credit loss	
		Significant increase in credit risk	Credit impaired financial assets
Bond interest receivables	0.00%-0.44%	0.12%~1.22%	34.65%~83.56%
Debt instrument investments at fair value through other comprehensive income	0.00%-0.44%	4.71%~6.85%	4.35%~18.28%
Debt instrument investments at amortised cost	0.00%-0.21%	4.86%~16.29%	5.69%~9.83%

Note: Excluding those transferred to overdue receivables.

- (i) Information on credit risk rating in relation to the total carrying amount of various financial debt instruments and the maximum exposure to credit risk are as follows:

	June 30, 2024				
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 28,103,240	\$ -	\$ -	\$ 9,216	\$ 28,094,024
Group 2	812,044	1,205,561	181,005	21,480	2,177,130
	<u>\$ 28,915,284</u>	<u>\$ 1,205,561</u>	<u>\$ 181,005</u>	<u>\$ 30,696</u>	<u>\$ 30,271,154</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 276,494,892	\$ -	\$ -	\$ 47,527	\$ 276,447,365
Group 2	6,016,768	1,558,245	24,352,396	1,325,313	30,602,096
	<u>\$ 282,511,660</u>	<u>\$ 1,558,245</u>	<u>\$ 24,352,396</u>	<u>\$ 1,372,840</u>	<u>\$ 307,049,461</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,405,062,332	\$ -	\$ -	\$ 877,610	\$ 3,404,184,722
Group 2	45,141,558	54,062,201	10,403,681	6,622,010	102,985,430
	<u>\$ 3,450,203,890</u>	<u>\$ 54,062,201</u>	<u>\$ 10,403,681</u>	<u>\$ 7,499,620</u>	<u>\$ 3,507,170,152</u>

Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.

Group 2: Others.

Note: Including statutory deposits.

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 26,861,380	\$ 63,456	\$ -	\$ 8,381	\$ 26,916,455
Group 2	<u>689,897</u>	<u>1,160,554</u>	<u>175,411</u>	<u>20,340</u>	<u>2,005,522</u>
	<u>\$ 27,551,277</u>	<u>\$ 1,224,010</u>	<u>\$ 175,411</u>	<u>\$ 28,721</u>	<u>\$ 28,921,977</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 265,113,082	\$ -	\$ -	\$ 42,212	\$ 265,070,870
Group 2	<u>3,921,513</u>	<u>1,477,263</u>	<u>23,102,222</u>	<u>1,232,017</u>	<u>27,268,981</u>
	<u>\$ 269,034,595</u>	<u>\$ 1,477,263</u>	<u>\$ 23,102,222</u>	<u>\$ 1,274,229</u>	<u>\$ 292,339,851</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,252,973,881	\$ -	\$ -	\$ 836,045	\$ 3,252,137,836
Group 2	<u>38,133,313</u>	<u>51,384,894</u>	<u>11,931,546</u>	<u>6,587,871</u>	<u>94,861,882</u>
	<u>\$ 3,291,107,194</u>	<u>\$ 51,384,894</u>	<u>\$ 11,931,546</u>	<u>\$ 7,423,916</u>	<u>\$ 3,346,999,718</u>
Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.					
Group 2: Others.					
Note : Including statutory deposits.					

June 30, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Bond interest receivables					
Group 1	\$ 27,231,784	\$ -	\$ -	\$ 8,756	\$ 27,223,028
Group 2	708,814	1,208,346	354,211	246,109	2,025,262
	<u>\$ 27,940,598</u>	<u>\$ 1,208,346</u>	<u>\$ 354,211</u>	<u>\$ 254,865</u>	<u>\$ 29,248,290</u>
Financial assets at fair value through other comprehensive income (Note)					
Group 1	\$ 288,776,936	\$ -	\$ -	\$ 46,717	\$ 288,730,219
Group 2	3,487,665	1,496,117	23,440,222	1,236,357	27,187,647
	<u>\$ 292,264,601</u>	<u>\$ 1,496,117</u>	<u>\$ 23,440,222</u>	<u>\$ 1,283,074</u>	<u>\$ 315,917,866</u>
Financial assets at amortised cost (Note)					
Group 1	\$ 3,264,339,703	\$ -	\$ -	\$ 849,967	\$ 3,263,489,736
Group 2	40,364,636	53,435,637	12,154,774	6,916,650	99,038,397
	<u>\$ 3,304,704,339</u>	<u>\$ 53,435,637</u>	<u>\$ 12,154,774</u>	<u>\$ 7,766,617</u>	<u>\$ 3,362,528,133</u>
Group 1: The issuers of the debt instruments who have been rated as investment grade (at least BBB-) by external credit agencies at the balance sheet date.					
Group 2: Others.					
Note : Including statutory deposits.					

- (j) Information on credit risk rating in relation to the total carrying amount of receivables and loans and the maximum exposure to credit risk are as follows:

June 30, 2024					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 377,188	\$ -	\$ -	\$ 8,515	\$ 368,673
Premiums receivable (Note)	389,880	-	52,842	12,754	429,968
Interest receivable-bonds	28,915,284	1,205,561	181,005	30,696	30,271,154
Interest receivable-loans	7,074,675	58	26	165	7,074,594
Interest receivable-others	115,115	-	-	-	115,115
Investment receivable	211,704	-	-	-	211,704
Other receivables-lease payments receivable (Note)	1,289,690	-	3,333	34,143	1,258,880
Other receivables-others (Note)	2,996,638	-	4,405,082	4,411,999	2,989,721
	<u>\$ 41,370,174</u>	<u>\$ 1,205,619</u>	<u>\$ 4,642,288</u>	<u>\$ 4,498,272</u>	<u>\$ 42,719,809</u>
Loans	<u>\$ 108,988,075</u>	<u>\$ 45,726</u>	<u>\$ 12,321</u>	<u>\$ 157,955</u>	<u>\$ 108,888,167</u>

Note : Including overdue receivable.

December 31, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 421,170	\$ -	\$ -	\$ 8,983	\$ 412,187
Premiums receivable (Note)	331,101	-	52,787	8,282	375,606
Interest receivable-bonds	27,551,277	1,224,010	175,411	28,721	28,921,977
Interest receivable-loans	7,221,405	63	29	184	7,221,313
Interest receivable-others	96,747	-	-	-	96,747
Investment receivable	4,433,111	-	-	-	4,433,111
Other receivables-lease payments receivable (Note)	1,294,542	-	3,350	32,590	1,265,302
Other receivables-others (Note)	2,738,507	-	3,365,465	3,385,633	2,718,339
	<u>\$ 44,087,860</u>	<u>\$ 1,224,073</u>	<u>\$ 3,597,042</u>	<u>\$ 3,464,393</u>	<u>\$ 45,444,582</u>
Loans	<u>\$ 110,255,823</u>	<u>\$ 49,322</u>	<u>\$ 15,038</u>	<u>\$ 176,294</u>	<u>\$ 110,143,889</u>
Note : Including overdue receivable.					

June 30, 2023					
	12-months expected credit loss	Life time expected credit loss		Allowance for credit loss	Maximum credit risk exposure amount
		Significant increase in credit risk	Credit impaired financial assets		
Receivables					
Notes receivable	\$ 386,982	\$ -	\$ -	\$ 8,280	\$ 378,702
Premiums receivable (Note)	249,713	-	59,453	6,242	302,924
Interest receivable-bonds	27,940,598	1,208,346	354,211	254,865	29,248,290
Interest receivable-loans	7,076,164	94	34	194	7,076,098
Interest receivable-others	64,748	-	-	-	64,748
Investment receivable	24,821,302	-	-	-	24,821,302
Other receivables-lease payments receivable (Note)	1,302,055	-	3,634	33,054	1,272,635
Other receivables-others (Note)	5,944,614	-	40,500	60,789	5,924,325
	<u>\$ 67,786,176</u>	<u>\$ 1,208,440</u>	<u>\$ 457,832</u>	<u>\$ 363,424</u>	<u>\$ 69,089,024</u>
Loans	<u>\$ 110,472,423</u>	<u>\$ 75,566</u>	<u>\$ 18,107</u>	<u>\$ 199,553</u>	<u>\$ 110,366,543</u>

Note : Including overdue receivable.

B. Liquidity risk

Liquidity risk means unable to convert the asset into cash or acquire adequate fund and fails to honor obligations when due. The Consolidated Company's working capital is sufficient for daily operations, and the cash and marketable securities held can also contribute to satisfy the cash liquidity needed. The cross currency swaps, FX swap and non-delivery forward contracts and delivery forward contracts are for hedging purpose. When rolling over, transactions are net settled and required amounts are within predictable ranges. Hence, there should be no significant exposure to cash flow risk.

The Consolidated Company has investment contracts without discretionary participation feature that are classified as separate account investment-linked insurance products. Such liabilities are repaid based on separate account investment-linked insurance product assets. Therefore, the Consolidated Company has no significant liquidity risk.

The table below analyses the Consolidated Company's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

(a) Non-derivative financial liabilities

June 30, 2024				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 9,703,644	\$ -	\$ -	\$ 9,703,644
Payables	24,514,939	-	-	24,514,939
Bonds payable (Note)	2,169,746	47,223,348	23,760,688	73,153,782
Guarantee deposits received	151,710	566,656	380,278	1,098,644
Lease liabilities	4,305,839	7,144,278	34,604,140	46,054,257
December 31, 2023				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 5,738,950	\$ -	\$ -	\$ 5,738,950
Payables	14,256,570	-	-	14,256,570
Bonds payable (Note)	1,884,006	46,792,701	14,436,210	63,112,917
Guarantee deposits received	21,789,241	529,867	293,280	22,612,388
Lease liabilities	4,239,089	10,173,872	33,951,807	48,364,768
June 30, 2023				
Contractual undiscounted cash flows				
	Under 1 year	1 ~ 5 years	Over 5 years	Total
Short-term debts	\$ 2,211,884	\$ -	\$ -	\$ 2,211,884
Payables	32,793,589	-	-	32,793,589
Bonds payable (Note)	1,446,500	35,776,396	10,000,000	47,222,896
Guarantee deposits received	318,156	383,928	350,178	1,052,262
Lease liabilities	4,258,242	10,172,434	34,321,979	48,752,655

Note: It includes estimated interest so that the disclosed amount does not correspond with relating accounts in the consolidated balance sheet. In addition, the cash flows is counted with ten years for the remaining period under the contract because the bond payable is perpetual.

(b) Derivative financial liabilities

June 30, 2024					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 12,923,018)	(\$ 6,019,783)	\$ -	\$ -	(\$ 18,942,801)
Gross-settled derivatives					
Cash inflow	281,434,863	706,645,790	-	-	988,080,653
Cash outflow	(299,246,827)	(723,861,314)	-	-	(1,023,108,141)
December 31, 2023					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 529,329)	(\$ 245,927)	\$ -	\$ -	(\$ 775,256)
Gross-settled derivatives					
Cash inflow	78,404,938	279,600,580	-	-	358,005,518
Cash outflow	(79,940,584)	(282,594,100)	-	-	(362,534,684)
June 30, 2023					
Contractual undiscounted cash flows					
	Under 3 months	3 ~ 12 months	1 ~ 5 years	Over 5 years	Total
Net-settled derivatives	(\$ 9,000,741)	(\$ 4,174,147)	\$ -	\$ -	(\$ 13,174,888)
Gross-settled derivatives					
Cash inflow	576,003,696	501,229,089	2,977,700	-	1,080,210,485
Cash outflow	(591,490,324)	(508,017,384)	(2,980,549)	-	(1,102,488,257)

C. Market risk

The Consolidated Company's domestic and foreign investments are exposed to market risks, and potential losses resulting from market risks could be partly mitigated through foreign exchange hedge and investment diversification. The Consolidated Company continuously uses market risk management methods such as VaR and sensitivity analysis, along with implementation of risk limits and completely effective measurement and control over the market risk faced by the Consolidated Company to avoid potential losses to the Consolidated Company's assets arising from variations in the market prices of held financial instruments (e.g. market interest rates, exchange rates, stock price, and credit spread).

(a) Interest rate risk

Interest rate risk refers to the risk of changes in value of financial instruments as a result of variations in the market interest rates. Variations in the market interest rates will result in changes in the fair value and future cash flows of bond investments. An increase in market interest rates will cause the fair value of fixed rate bond investments to fall, and the cash flow of floating rate bond investments increase. For the six months ended June 30, 2024 and 2023, the market prices of some fixed income assets had fluctuations that reflected the recent rise of market interest rates. However, the Consolidated Company mainly pursues steady and predictable long-term profits to maintain stable business and liquidity, and will continue to monitor the interest rate risk.

Sensitivity analysis of interest rate risk provided in the table below is performed for reasonably possible changes in interest rates with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

June 30, 2024			
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1% (\$	14,339)	(\$ 7,248,906)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(29,719,697)
December 31, 2023			
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1% (\$	26,185)	(\$ 7,429,637)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(31,550,958)
June 30, 2023			
	Changes in variables	Effect on profit or loss	Effect on other comprehensive income
Financial assets at fair value through profit or loss (Note)	Increase 1% (\$	16,858)	(\$ 7,210,676)
Financial assets at fair value through other comprehensive income	Increase 1%	-	(33,286,705)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

If the variables adopted in the aforesaid sensitivity analysis of interest rate risk move in opposite direction, variations in profit/loss and other comprehensive income (pre-tax) will also move in reverse.

(b) Price risk

Price risk mainly arises from price volatility of equity instruments (stocks and equity fund) held by the Consolidated Company. However, the Consolidated Company dispersed the price risk through diversified investment portfolio.

Sensitivity analysis of price risk provided in the table below is performed for reasonably possible movement in price with other conditions held constant, showing the impact on net income and other comprehensive income (pre-tax).

	June 30, 2024			
	Effect on		Effect on other	
	profit or loss		comprehensive income (Note)	
Price risk				
A price increase by 10%	\$	1,201,128	\$	43,987,035
A price decrease by 10%	(	1,201,128)	(	43,987,035)
	December 31, 2023			
	Effect on		Effect on other	
	profit or loss		comprehensive income (Note)	
Price risk				
A price increase by 10%	\$	1,186,188	\$	39,587,325
A price decrease by 10%	(	1,186,188)	(	39,587,325)
	June 30, 2023			
	Effect on		Effect on other	
	profit or loss		comprehensive income (Note)	
Price risk				
A price increase by 10%	\$	1,168,278	\$	38,735,029
A price decrease by 10%	(	1,168,278)	(	38,735,029)

Note: Including financial assets at fair value through profit or loss using overlay approach, the gain or loss are recognised in other comprehensive income.

(c) Exchange rate risk

I. Hedging Strategy and Risk Exposure

The Consolidated Company holds many foreign investments, which are denominated in various currencies and may suffer from losses when the fluctuations of exchange rates lead to changes in their fair values. Following the principles that life insurance companies should pursue long-term stable investment income and keeping the reserve for foreign exchange at suitable levels, the Consolidated Company tries to reduce the foreign exchange risk by adopting direct hedges, natural hedges, and other hedging tools compliant with the regulations; quarterly reviewing the currencies, profit or loss, and tenor allocation of the hedges; and dynamically adjusting the risk exposures and hedge ratios to the market conditions. Direct hedges are the direct hedging transactions of the foreign currencies versus USD or TWD, and the hedging tools the Consolidated Company currently uses include FX swap contracts, cross currency swaps, delivery forwards, and non-delivery forwards. On the other hand, natural hedges are to diversify the foreign exchange risks of the entire foreign investment positions by holding a variety of currency exposures, since the different trends among the exposed currencies may bring diversification effects to the Consolidated Company.

- II. Sensitivity analysis of foreign exchange risk provided in the table below is performed for reasonably possible changes in foreign exchange rates of monetary assets and liabilities with other conditions held constant, considering foreign exchange derivatives for hedge and excluding insurance contract denominated in foreign currencies, showing the impact on net income and other comprehensive income (changes in the fair value) (pre-tax).

	June 30, 2024		
		Effect on other	
	Effect on profit or loss	comprehensive income	
All currency to TWD increase by 5%	\$ 36,153,187	(\$	1,259,064)
All currency to TWD decrease by 5%	(36,153,187)		1,259,064
	December 31, 2023		
		Effect on other	
	Effect on profit or loss	comprehensive income	
All currency to TWD increase by 5%	\$ 26,899,111	(\$	991,851)
All currency to TWD decrease by 5%	(26,899,111)		991,851
	June 30, 2023		
		Effect on other	
	Effect on profit or loss	comprehensive income	
All currency to TWD increase by 5%	\$ 35,829,386	(\$	1,001,415)
All currency to TWD decrease by 5%	(35,829,386)		1,001,415

D. Climate - related risks

The Consolidated Company's Task Force on Climate-Related Financial Disclosures (TCFD) working group keeps promoting the identification, response and disclosure of climate-related risks and opportunities. In 2023, to enhance risk management of climate-related risks, the Consolidated Company established climate-related risk management policies, which stipulate that all identified climate-related risks shall be taken into consideration when setting up the risk appetite, strategies, and operating plans.

For the year ended December 31, 2023, the TCFD working group identified and summarised the climate-related risk issues that the Consolidated Company may face in the future (including physical risks and transition risks) by referring to domestic and foreign studies and analysis reports from benchmark enterprises. These risks were prioritized by assessing their probability of occurrence, impact, and potential occurrence timeframe (short-, medium-, long-term), and the relevant adaptation measures were developed for the top 10 risks. The ranks of identified top 10 risk factors were the demand of policies on enhancing the proportion of green buildings, the demand of policies on enhancing the proportion of renewable energy, an incremental cost due to the current products and services which were substituted by low carbon transition service, increase in greenhouse gas emission costs, investments losses on investees arising from the information uncertainty of market and its customers, increased operating costs due to the transition of electricity structure in response to rising average temperatures, loss on the subject matter insured due to sea level rise, investees' face related financial risks which are affected by the risk of regulation transition, changes in customer behaviour, and the claim increases due to the climate catastrophe's effects on the subject matter insured. The Consolidated Company has developed relevant adaptation measures, established climate indicators and targets, and will regularly monitor and track the implementation of climate-related risk management.

In addition, the Consolidated Company signed the commitment letter to the Science-based Target initiative in 2023 and completed the target setting of scope 1, 2 and 3 and filed to review at end of the same year. In the future, the Consolidated Company will be dedicated to reducing carbon on operation perspective and will continually monitor the exposure of investment position in relation to high carbon emission industries and invest in carbon emission.

Furthermore, the Consolidated Company intends to realise the Science-based Target through continual assessments of green finance and sustainability themed investing to make contribution to the transition of global low-carbon economy.

14. OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Consolidated Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Consolidated Company in order to support the Consolidated Company's sustainable development and continuously create interests for shareholders.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the risk based capital ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital should not be lower than 200%. The Consolidated Company calculates the risk based capital ratio and net worth ratio once every six months to measure and assess the future capital adequacy in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" and other competent authority to ensure that it can continuously meet the statutory capital requirement and medium and long-term operations.

Risk based capital ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognised owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Net worth ratio is calculated as equity divided by total assets excluding assets on insurance product - separated account. According to "Regulations Governing Capital Adequacy of Insurance Companies", the Consolidated Company's life insurance business and property insurance business latest two capital adequacy ratios were both above 200%, and the latest two net worth ratios were both above 3%, which met the statutory capital requirement.

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15. OTHERS

(1) Assets and liabilities recoverable or payable within 12 months or more than 12 months:

June 30, 2024			
Assets	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 80,967,406	\$ 80,967,406	\$ -
Receivables	42,719,809	42,719,809	-
Current tax assets	4,601,285	597,738	4,003,547
Financial assets at fair value through profit or loss	1,005,307,392	956,436,319	48,871,073
Financial assets at fair value through other comprehensive income	274,517,360	2,572,608	271,944,752
Financial assets at amortised cost	3,460,790,172	10,545,915	3,450,244,257
Investments accounted for using equity method	2,812,742	-	2,812,742
Investment property	214,613,212	-	214,613,212
Loans	108,888,167	-	108,888,167
Reinsurance contract assets	3,593,180	3,403,977	189,203
Property and equipment	17,628,525	-	17,628,525
Right-of-use assets	868,317	91,165	777,152
Intangible assets	13,174,044	-	13,174,044
Deferred tax assets	79,812,875	-	79,812,875
Other assets	55,721,250	7,305,323	48,415,927
Liabilities			
Short-term debts	\$ 9,703,644	\$ 9,703,644	\$ -
Payables	24,514,939	24,514,939	-
Current tax liabilities	1,297,085	278,033	1,019,052
Financial liabilities at fair value through profit or loss	53,621,151	53,621,151	-
Bonds payable	61,040,000	-	61,040,000
Insurance contract liabilities	4,707,668,214	44,613,934	4,663,054,280
Reserve for insurance with nature of financial instruments	1,186,250	-	1,186,250
Reserve for foreign exchange valuation	22,467,536	-	22,467,536
Provisions	3,814,498	-	3,814,498
Lease liabilities	29,554,940	4,305,312	25,249,628
Deferred tax liabilities	48,410,574	-	48,410,574
Other liabilities	28,504,122	1,443,746	27,060,376

Assets	December 31, 2023		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 71,836,768	\$ 71,836,768	\$ -
Receivables	45,444,582	45,444,582	-
Current tax assets	4,116,889	597,570	3,519,319
Financial assets at fair value through profit or loss	1,008,081,692	954,836,359	53,245,333
Financial assets at fair value through other comprehensive income	269,736,858	270,329	269,466,529
Financial assets at amortised cost	3,325,116,318	27,445,246	3,297,671,072
Investments accounted for using equity method	2,816,281	-	2,816,281
Investment property	218,889,784	-	218,889,784
Loans	110,143,889	-	110,143,889
Reinsurance contract assets	4,012,032	3,793,561	218,471
Property and equipment	16,850,912	-	16,850,912
Right-of-use assets	827,036	52,980	774,056
Intangible assets	13,713,264	-	13,713,264
Deferred tax assets	62,221,574	-	62,221,574
Other assets	24,426,969	607,916	23,819,053
Liabilities			
Short-term debts	\$ 5,738,950	\$ 5,738,950	\$ -
Payables	14,256,570	14,256,570	-
Current tax liabilities	3,048,691	2,061,212	987,479
Financial liabilities at fair value through profit or loss	5,287,505	5,287,505	-
Bonds payable	53,500,000	-	53,500,000
Insurance contract liabilities	4,627,810,413	41,690,674	4,586,119,739
Reserve for insurance with nature of financial instruments	956,348	-	956,348
Reserve for foreign exchange valuation	8,675,002	-	8,675,002
Provisions	3,840,130	-	3,840,130
Lease liabilities	32,921,416	4,246,583	28,674,833
Deferred tax liabilities	29,104,400	-	29,104,400
Other liabilities	49,217,261	23,355,071	25,862,190

Assets	June 30, 2023		
	Book value	Within 12 months	More than 12 months
Cash and cash equivalents	\$ 83,600,674	\$ 83,600,674	\$ -
Receivables	69,089,024	69,089,024	-
Current tax assets	1,028,448	168	1,028,280
Financial assets at fair value through profit or loss	961,174,274	906,101,916	55,072,358
Financial assets at fair value through other comprehensive income	292,236,499	479,890	291,756,609
Financial assets at amortised cost	3,327,743,079	23,982,619	3,303,760,460
Investments accounted for using equity method	2,642,926	-	2,642,926
Investment property	218,397,767	-	218,397,767
Loans	110,366,543	-	110,366,543
Reinsurance contract assets	4,295,413	3,839,940	455,473
Property and equipment	16,804,062	-	16,804,062
Right-of-use assets	891,398	53,913	837,485
Intangible assets	14,117,487	-	14,117,487
Deferred tax assets	65,187,189	-	65,187,189
Other assets	40,471,258	5,253,200	35,218,058
Liabilities			
Short-term debts	\$ 2,211,884	\$ 2,211,884	\$ -
Payables	32,793,589	32,793,589	-
Current tax liabilities	1,851,383	1,182,244	669,139
through profit or loss	35,275,298	35,272,493	2,805
Bonds payable	42,000,000	-	42,000,000
Insurance contract liabilities	4,641,278,093	45,798,528	4,595,479,565
Reserve for insurance with nature of financial instruments	811,088	-	811,088
valuation	34,318,992	-	34,318,992
Provisions	3,288,505	-	3,288,505
Lease liabilities	32,545,087	4,261,155	28,283,932
Deferred tax liabilities	28,609,896	-	28,609,896
Other liabilities	26,070,404	1,622,982	24,447,422

- (2) The Consolidated Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

June 30, 2024			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 122,878,986	32.45	\$ 3,987,414,336
Others (Note)			97,844,440
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 35,205,174	32.45	\$ 1,142,385,833
Others (Note)			7,167,914
December 31, 2023			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 122,494,134	30.74	\$ 3,764,859,637
Others (Note)			106,927,579
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 36,010,657	30.74	\$ 1,106,784,976
Others (Note)			7,557,195
June 30, 2023			
Assets	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 122,231,866	31.14	\$ 3,805,683,002
Others (Note)			116,151,588
Liabilities	Foreign Currency Amount (thousand)	Exchange Rate	New Taiwan Dollars
US Dollars	\$ 36,299,641	31.14	\$ 1,130,173,463
Others (Note)			8,074,888

Note : The combined amount is disclosed, since the New Taiwan Dollars were under 10% of each account.

(3) Net worth ratio

As of June 30, 2024, December 31, 2023 and June 30, 2023, the net worth ratio of the Company was calculated by its equity divided by the total assets, excluding assets on insurance products - separate account, which equalled 6.99%, 6.66% and 6.29%, respectively. As of June 30, 2024, December 31, 2023 and June 30, 2023, the net worth ratio of the Subsidiary was calculated by its equity divided by total assets, which equalled 27.10%, 27.51% and 26.97%, respectively.

(4) Retention limit

The Consolidated Company's property insurance business which's retention limit per unit of risk for each kind of insurance:

Item	Unit: Thousand				
	June 30, 2024		December 31, 2023		June 30, 2023
One-year residential fire insurance	NT\$	150,000	NT\$	150,000	NT\$ 150,000
One-year commercial fire insurance	NT\$	425,000	NT\$	250,000	NT\$ 250,000
Long-term commercial fire insurance	NT\$	150,000	NT\$	150,000	NT\$ 150,000
In-land transportation insurance	US\$	3,000	US\$	3,000	US\$ 3,000
Cargo transportation insurance	US\$	7,000	US\$	7,000	US\$ 7,000
General self-owned automobile property insurance	NT\$	100,000	NT\$	100,000	NT\$ 100,000
General commercial automobile property insurance	NT\$	100,000	NT\$	100,000	NT\$ 100,000
General self-owned automobile liability insurance	NT\$	100,000	NT\$	100,000	NT\$ 100,000
General commercial automobile liability insurance	NT\$	100,000	NT\$	100,000	NT\$ 100,000
Compulsory self-owned automobile liability insurance	NT\$	1,000	NT\$	1,000	NT\$ 1,000
Compulsory commercial automobile liability insurance	NT\$	1,000	NT\$	1,000	NT\$ 1,000
Compulsory motorcycle liability insurance	NT\$	1,000	NT\$	1,000	NT\$ 1,000
General liability insurance	NT\$	300,000	NT\$	180,000	NT\$ 180,000
Professional liability insurance	NT\$	300,000	NT\$	180,000	NT\$ 180,000
Engineering insurance	NT\$	425,000	NT\$	250,000	NT\$ 250,000
Guarantee insurance	NT\$	30,000	NT\$	30,000	NT\$ 30,000
Miscellaneous property insurance	NT\$	150,000	NT\$	150,000	NT\$ 150,000
Personal accident insurance	NT\$	40,000	NT\$	40,000	NT\$ 40,000
Commercial earthquake insurance	NT\$	425,000	NT\$	250,000	NT\$ 250,000
Individual all-risk insurance	NT\$	120,000	NT\$	120,000	NT\$ 120,000
Commercial all-risk insurance	NT\$	150,000	NT\$	150,000	NT\$ 150,000
Typhoon and flood insurance	NT\$	425,000	NT\$	250,000	NT\$ 250,000
Health Insurance	NT\$	30,000	NT\$	30,000	NT\$ 30,000
Compulsory mini electric two-wheel vehicle liability insurance	NT\$	1,000	NT\$	1,000	NT\$ 1,000

(5) Information of compulsory automobile liability insurance specific asset segmentation, assets and liabilities and income and cost:

A. The Consolidated Company property insurance business maintains separate accounts for its compulsory automobile liability insurance (the “insurance”) in accordance with the Compulsory Automobile Liability Insurance Act, recording the insurance business and financial condition. The insurance assets and liabilities of the Consolidated Company are as follows:

Item	June 30, 2024	December 31, 2023	June 30, 2023
Assets			
Cash and cash equivalents	\$ 1,053,032	\$ 997,848	\$ 1,037,690
Notes receivable	326	479	542
Premiums receivable	1,453	2,758	2,317
Claims recoverable from reinsurers	45,259	43,462	42,824
Other receivables	-	292	-
Financial assets at fair value through other comprehensive income	1,918,340	1,931,840	1,837,423
Ceded unearned premium reserve	204,045	198,785	193,543
Ceded claim reserve	234,597	228,304	212,832
Temporary payments and suspense accounts	143	2,298	737
Total Assets	\$ 3,457,195	\$ 3,406,066	\$ 3,327,908
Liabilities			
Claims and policy benefits payable	\$ -	\$ -	\$ 657
Reinsurance payable	8,725	18,579	9,829
Unearned premium reserve	495,146	482,687	471,900
Claims reserve	601,423	583,279	553,020
Special reserve	2,350,706	2,319,420	2,290,621
Temporary payments and suspense accounts	781	512	356
Other liabilities	414	1,589	1,525
Total liabilities	\$ 3,457,195	\$ 3,406,066	\$ 3,327,908

- B. For the three months and six months ended June 30, 2024 and 2023, the information on the Consolidated Company's property insurance income and cost is as follows:

Item	For the three months ended June 30,	
	2024	2023
Operating income		
Net premium income	\$ 129,969	\$ 122,452
Reinsurance premium income	62,028	60,876
Premium income	191,997	183,328
Less: Reinsurance premiums ceded	(77,947)	(73,441)
Net changes of unearned premium reserve	(2,325)	(2,388)
Retention earned premium income	111,725	107,499
Interest income	9,863	8,923
	<u>\$ 121,588</u>	<u>\$ 116,422</u>
Operating cost		
Claims payments	\$ 128,698	\$ 121,417
Reinsurance claims	53,471	55,988
Less: Claim recovered from reinsurers	(75,165)	(70,823)
Net claims paid	107,004	106,582
Net changes of claim reserve	4,403	4,361
Net changes of special reserve (Note)	16,281	11,119
	<u>\$ 127,688</u>	<u>\$ 122,062</u>
Item	For the six months ended June 30,	
	2024	2023
Operating income		
Net premium income	\$ 261,290	\$ 243,705
Reinsurance premium income	129,705	123,455
Premium income	390,995	367,160
Less: Reinsurance premiums ceded	(156,716)	(146,164)
Net changes of unearned premium reserve	(7,199)	(3,670)
Retention earned premium income	227,080	217,326
Interest income	18,996	17,133
	<u>\$ 246,076</u>	<u>\$ 234,459</u>
Operating cost		
Claims payments	\$ 246,422	\$ 238,034
Reinsurance claims	114,975	111,996
Less: Claim recovered from reinsurers	(146,253)	(140,070)
Net claims paid	215,144	209,960
Net changes of claim reserve	11,851	9,893
Net changes of special reserve (Note)	31,286	25,816
	<u>\$ 258,281</u>	<u>\$ 245,669</u>

Note: Including the special reserve provisioned from insurer's business expenses, please refer to Note 6(22)B(b)III (iii) for details.

(6) Unqualified reinsurance reserve

- A. Among the Consolidated Company's property insurance business' inforce policies as of June 30, 2024 and 2023, reinsurance expenses of unqualified ceding reinsurance amounted to \$68 and \$30, respectively.
- B. The Consolidated Company's property insurance business' unqualified reinsurance reserve and its details are as follows :

	June 30, 2024	December 31, 2023	June 30, 2023
Ceded unearned premium reserve	\$ 3	\$ -	\$ 192
Claims recoverable from reinsurers	34	19	15
Ceded reported but not paid claims reserve	157	168	170
	<u>\$ 194</u>	<u>\$ 187</u>	<u>\$ 377</u>

(7) The effects of Russian-Ukrainian conflict

Due to the Russian-Ukrainian conflict which started on February 24, 2022, countries worldwide adopted many economic and financial sanctions on Russia, resulting in an increase in the risk of default on sovereign debts and interest of Russia, and the credit rating was significantly decreased and cancelled by international credit rating agencies. The Consolidated Company has recognised expected credit loss on the credit impaired Russian debt instruments (recognised as financial assets at fair value through other comprehensive income, financial assets at amortised cost and receivables).

16. SUPPLEMENTARY DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

Company who acquired properties	Real Estate Required	Date of the Event	Transaction Amount	Collection of payments	Counterparty	Relationship with the Counterparty	Basis or Reference Used in Setting the Price	Reason for acquisition of real estate and status of the real estate	Other Agreement
The Company	Land: No.97, Sanmin Section, Taoyuan District, Taoyuan City Building number to be confirmed after construction is completed.(Note 1)	April 18, 2024 (Note 2)	\$ 1,170,000	Payment based on the contract terms	He Huei Real Estate Development Co., Ltd.	Nil	Appraisal report of property appraiser	Acquisition of property	None
The Company	Land: No.86, Xinjing Section, Xinshi District, Tainan City Building: No. 5, Kanxi Rd., Xinshi Dist., Tainan City	May 20, 2024 (Note 3)	\$ 1,188,000	Payment based on the contract terms	Rinchem Logistics Taiwan Co., Ltd.	Nil	Appraisal report of property appraiser	Property investment and stable long-term rental income in accordance with Insurance Act	None

Note 1: This case involves pre-sale housing.

Note 2: Date of the event referred to herein is the date of the board resolution.

Note 3: Date of the event referred to herein is the date of title transfer.

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B. Disposal of real estate reaching \$100,000 or in excess of 20% of the Consolidated Company's capital:

Company who disposed properties	Real Estate Disposals	Date of the Event	Original acquisition date	Book Amount	Transaction Amount	Collection of proceeds	Gain or Loss on disposals (Note 5)	Counterparty	Relationship with the Counterparty	Reason for disposals of real estate	Basis or Reference Used in Setting the Price	Other Agreement
The Company	Land: No.220, Xincheng Section, Anle District, Keelung City, total 61 deals Building: No. 15, Anhe 2nd Street, Anle District, Keelung City	January 11, 2024 (Note 1) April 22, 2024 (Note 2)	February 4, 2015	\$ 1,292,571	\$1,300,000 (Note 3)	Receipts based on the contract terms	(\$ 16,348)	Guomeng Development Co., Ltd.	Nil	Increase in investment in accordance with Insurance Act	Appraisal report of property appraiser	None
The Company	Land: No.196 and No.196-1, 5th Subsection, Wende Section, Neihu District, Taipei City Building: No. 68 and No. 70, Ruiguang Rd., Neihu Dist., Taipei City	March 22, 2024 (Note 2)	February 26, 2007 December 26, 2016	\$ 4,271,516	\$4,788,880 (Note 4)	Receipts based on the contract terms	\$ 403,335	Delta Electronics, Inc.	Nil	Increase in investment in accordance with Insurance Act	Appraisal report of property appraiser	None

Note 1: Date of the event referred to herein is the date of contract signed.

Note 2: Date of the event referred to herein is the date of title transfer.

Note 3: The transaction amount is the total contract price, including business tax which was amounted to \$7,429.

Note 4: The transaction amount is the total contract price, including business tax which was amounted to \$70,954.

Note 5: Including transaction costs.

C. Related party transactions of main business activities reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

D. Accounts receivable from related parties reaching \$100,000 or in excess of 20% of the Consolidated Company's capital: None.

E. Derivative business transactions: Please refer to Notes 6(3), (20) and 12.

F. Business relationship and significant transactions between parent company and subsidiaries: None.

(2) Information on investees

Investor company	Investee company	Area	Main operation	Initial investment amount		Held by the end of period			Profit in this period of investee company	Recognised profit on investment in this period	Remarks
				End of this period	End of last year	Number of shares (In thousands)	Ratio	Carrying amount			
The Company	Nan Shan General Insurance Co., Ltd.	R.O.C	Property insurance	\$ 6,776,893	\$ 6,776,893	252,400	100%	\$ 5,969,909	\$ 179,246	\$ 125,230	Note 1 Note 3
The Company	Fuh Hwa Securities Investment Trust Co., Ltd.	R.O.C	Securities investment trust	2,763,845	2,763,845	18,426	30.71%	2,807,450	875,295	268,798	Note 2
The Company	Nan Shan Plaza Property Management Co., Ltd.	R.O.C	Apartment and building management service	3,000	3,000	3	30%	5,292	2,469	35	

Note 1: It has been written when preparing the consolidated financial statements.

Note 2: On March 17, 2023, the Consolidated Company acquired a 30.71% equity interest of Fuh Hwa Securities Investment Trust Co. Ltd. Information relating to investments accounted for using equity method is provided in Note 6(6).

Note 3: To improve financial structure and fulfil working capital, Nan Shan General Insurance Co., Ltd. implemented capital decrease to offset accumulated deficits and conducted the cash capital increase through private placement of common shares in the first half of 2023. The effective date for the capital increase was July 5, 2023. The Company fully subscribed for 150,000 thousand shares and made a payment of \$1,500,000 as resolved by the Board of Directors on May 11, 2023.

(3) Information on investments in Mainland China

None.

17. SEGMENT INFORMATION

(1) General information

The Consolidated Company's management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Consolidated Company or in the measurement basis for segment information during this period.

(2) Segment information

For the three months ended June 30, 2024				
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 62,688,273	\$ 2,439,725	(\$ 104,777)	\$ 65,023,221
Segment profit	\$ 12,108,098	\$ 31,121	(\$ 31,121)	\$ 12,108,098
For the three months ended June 30, 2023				
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 67,200,333	\$ 1,981,442	(\$ 89,923)	\$ 69,091,852
Segment profit	\$ 15,196,275	\$ 47,301	(\$ 47,301)	\$ 15,196,275
For the six months ended June 30, 2024				
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 130,729,000	\$ 4,710,529	(\$ 104,813)	\$ 135,334,716
Segment profit	\$ 25,588,155	\$ 178,571	(\$ 178,571)	\$ 25,588,155
Segment's total assets	\$ 5,575,961,804	\$ 17,379,619	(\$ 5,345,814)	\$ 5,587,995,609
For the six months ended June 30, 2023				
	Life insurance	Property insurance	Adjustment and write-off (Note)	Total
Premium revenue	\$ 137,360,138	\$ 3,861,229	(\$ 89,923)	\$ 141,131,444
Segment profit	\$ 15,679,691	\$ 91,014	(\$ 91,014)	\$ 15,679,691
Segment's total assets	\$ 5,401,193,418	\$ 16,007,551	(\$ 4,921,647)	\$ 5,412,279,322

Note: Adjustment and write-off are mainly adjustments in line with the journal entry for consolidation purpose.

(3) Geographical information

There is no requirement for geographical information disclosure since no foreign operating segment held by the Consolidated Company.

(4) Major customer information

There is no requirement for additional disclosure since no significant customer accounted for 10% or more of the Consolidated Company's operating revenues.

ISSUER

NANSHAN LIFE PTE. LTD.

1 Marina Boulevard
#28-00
One Marina Boulevard
Singapore (018989)

GUARANTOR

NAN SHAN LIFE INSURANCE CO., LTD.

No.168, Zhuangjing Rd., Xinyi Dist.
Taipei City 110
Taiwan

AUDITORS OF THE GUARANTOR

PricewaterhouseCoopers, Taiwan

27F, No.333 Sec.1, Keelung Rd,
Xinyi Dist, Taipei, Taiwan

TRUSTEE

The Hongkong and Shanghai Banking Corporation Limited

Level 26, HSBC Main Building
1 Queen's Road Central
Hong Kong

**PRINCIPAL PAYING AGENT, REGISTRAR AND
TRANSFER AGENT**

The Hongkong and Shanghai Banking Corporation Limited

Level 26, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISERS

*To the Issuer and Guarantor
as to English law*

Clifford Chance
27th Floor, Jardine House
One Connaught Place
Hong Kong

*To the Issuer and Guarantor
as to ROC law*

Lee and Li
8F, No. 555, Sec. 4, Zhongxiao E. Rd.
Taipei 11072,
Taiwan, R.O.C.

*To the Issuer
as to Singapore law*

Allen & Gledhill
One Marina Boulevard #28-00
Singapore 018989

*To the Managers and the Trustee as to
English law*

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong