

**CENTRAL REINSURANCE CORPORATION**

2017 Annual General Shareholders' Meeting

**Meeting Handbook**

May 31, 2017

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# **CENTRAL REINSURANCE CORPORATION**

## **2017 Annual General Shareholders' Meeting**

**Meeting Time:** May 31(Wednesday), 2017 9:00 am

**Meeting Location:** International Convention Center Room1002

Chang Yung-Fa Foundation

10F, No.11, Chungshan S.Road, Taipei, Taiwan

**Attendance:** There are 562,275,000 shares issued by the Company, the number of shareholder representatives attending make up \_\_\_\_\_ shares, reaching \_\_% of the total issued shares.

**Chairman:** Yang, Cheng-Tui, the Chairman of the Board

**I. Report the total number of shares represented at this AGM and announce commencement of the meeting.**

**II. Chairman's Address.**

**III. Report Items :**

A. Business Report of the year 2016. (Handbook pages 6-11)

B. Audit Committee's Review Report of the year 2016. (Handbook page 25)

C. 2016 Employees' Compensation and Remuneration of Directors Report:  
The Board of Directors appropriated NT\$6,174,692 as employees' compensation in cash and NT\$2,700,000 as remuneration of directors pursuant to the Articles of Incorporation.

D. Reporting on the "Procedures for Use of the Company's funds in Special Projects, Public Utilities and Social Welfare Enterprises" amended by the Board of Directors on April 27 and October 27, 2016 and submitted to the Financial Supervisory Commission (hereinafter referred to as "FSC") for reference according to the article 6 of "Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises". (Handbook pages 71-75)

#### IV. Ratification and Discussion Items :

Proposed by the Board of Directors

**Proposal 1: Ratification of the 2016 Business Report and Audited Financial Statements. (Handbook pages 6-23) Please ratify.**

**Description:** The 2016 Financial Statements of the Company have been audited by Mr. Chen Hsien-I and Mr. Lai Chung-Hsi, the CPA of PricewaterhouseCoopers.

**Resolution:**

Proposed by the Board of Directors

**Proposal 2: Ratification of 2016 earnings distribution. (Handbook page 24) Please ratify.**

**Description:**

1. The Company is planning to distribute cash dividend NT\$0.5 per share. The total of cash dividends shall be NT\$281,137,500. The cash dividend distribution will be calculated to the nearest NT dollar, the remainder will be recognized as "Other Non-Operating Income".
2. If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed due to the repurchasing of shares by the Company, the transfer, conversion or cancellation of treasury shares, such that the ratio of the cash dividends are affected, the chairman of the board of directors is authorized to deal relative matters.
3. Subject to the approval of the annual general shareholders' meeting, the ex-dividend date and payment date for the cash dividend distributions would be decided by the board of directors.

**Resolution:**

Proposed by the Board of Directors

**Proposal 3: Proposal to amend the Company’s “Procedures for Acquiring and Disposing of Assets”. Amendments shown in a comparison table on the Handbook (page 26-40). Please discuss.**

**Description:** The amendments are made in accordance with “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities” announced by Taiwan Stock Exchange Corporation (hereinafter referred to as “TWSE”) on August 19, 2016 and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by FSC on February 9, 2017.

**Resolution:**

Proposed by the Board of Directors

**Proposal 4: Proposal to amend the Company’s “Procedures for Transaction of Financial Derivatives”. Amendments shown in a comparison table on the Handbook (page 41-48). Please discuss.**

**Description:** The amendments are made in accordance with “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities” announced by TWSE on August 19, 2016, “Regulations Governing Derivatives Transactions Conducted by Insurance Companies” promulgated by FSC on February 17, 2016, and Order No. Jin-Guan- Bao-Cai-Zi-10500960781 of FSC on December 29, 2016.

**Resolution:**

## **V. Election Item:**

Proposed by the Board of Directors

**Proposal : Proposal to elect the directors of the Company.**

### **Description:**

1. Since the term of office of the current directors will expire on June 10, 2017, it is proposed to elect nine Directors (including three independent directors) according to the provisions of the Articles of Incorporation of the Company. The new directors, whose term of office shall be three years from May 31, 2017 to May 30, 2020, shall take office after Annual General Shareholders' Meeting, and the current directors shall be discharged simultaneously.
2. The election of the directors is conducted under the "candidate nomination system". The Board of Director reviewed and approved the roster of the Director Candidates on April 20, 2017. The information of the Director Candidates are as Handbook Pages 49-51.

### **Election Results:**

## **VI. Other Items:**

Proposed by the Board of Directors

**Proposal : Discussion on approving to lift restriction of non-competition of director.**

### **Description:**

1. Directors who, for themselves or others run businesses which are similar to the business of the Company's, shall report to and obtain permission from the shareholders' meeting.
2. The competition situation of the Director Candidates are as shown in the following table. Therefore, lifting restriction of non-competition of director is proposed to the shareholders' meeting for approval. (Exhaustive list of Concurrent Positions as Handbook pages 49-51.)

Director Candidate	Concurrent Positions in Other Companies	The Business which is similar to the Company's
Evergreen International Corp. Representative : Chang, Kao-Cheng	The chairman of Evergreen Insurance Company Limited	Reinsurance Business
Evergreen International Corp. Representative : Tai, Jiin-Chyuan	The director of Evergreen Insurance Company Limited	Reinsurance Business

**Resolution:**

**VII. Extraordinary Motions.**

**VIII. Meeting Adjournment.**

# CENTRAL REINSURANCE CORPORATION

## Business Report of the year 2016

### Operating Performance in 2016

Central Reinsurance Corporation is the sole domestic professional reinsurance company in Taiwan, mainly engaged in non-life and life reinsurance business for domestic and overseas insurance firms. Adhering to its business philosophy of ethical management, stability and integrity, the Company is devoted to maintaining the good order of the insurance market, diversifying risk for its customers, facilitating the development of insurance industry and fulfilling its corporate responsibilities. To ensure the sustainable development of the Company and keep pace with the market trend, the Company has been actively improving its service to domestic customers; in the meantime expanding its international market through robust strategies. The ultimate purpose is to enlarge its operational foundation and diversify the risk of geographical concentration.

With the collective efforts of all its employees, the Company reports a net income of NT\$765,790 thousand for the year of 2016. Appended below is the Company's operating report for 2016:

### A. Implementation of the Operating Plan

#### (I) Business Performance:

The gross premium written for the year is NT\$14,041,751 thousand, being NT\$741,511 thousand or approximately 5.6% over the budgeted NT\$13,300,240 thousand. An analysis is provided below based on business type:

1. Non-life Reinsurance: gross premium written NT\$10,071,595 thousand, being NT\$532,585 thousand or approximately 5.6% over the budgeted NT\$9,539,010 thousand. The difference was mainly because of the increase in automobile insurance and casualty insurance.
2. Life Reinsurance: gross premium written NT\$3,970,156 thousand, being NT\$208,926 thousand or approximately 5.6% over the budgeted NT\$3,761,230 thousand. The difference was mainly because of the increase from health insurance.

#### (II) Financial Management:

##### 1. Capital Management:

As at the end of 2016, the total paid-in capital of the Company is NT\$5,622,750 thousand. Total shareholders' equity before distribution is NT\$9,499,209 thousand. The capital structure of the Company remains strong.

## 2. Reserve Adequacy:

In order to build up a solid financial basis and strengthen its solvency, the Company provides adequate reserves. At the end of 2016, the sum of various reserves is NT\$22,168,024 thousand.

## 3. Fund Investment:

The investment income is NT\$171,419 thousand, being NT\$208,688 thousand or 54.9% less than the budgeted NT\$380,107 thousand.

### (III) Credit Ratings:

In 2017, Standard & Poor's affirmed its credit rating of "A" with stable outlook based on the Company's very strong capital and earnings, solid domestic market position and strong liquidity profile. Taiwan Ratings Corp. also confirmed the Company's rating of "twAA+".

Meanwhile, A. M. Best affirmed the Company's "A" rating with stable outlook in July, 2016 in recognition of its management performance. Good credit ratings are helpful for developing reinsuring high-quality business. They also prove the Company's strong solvency to fulfill its commitment to customers.

### The latest ratings are shown as follows.

Rating Agency	Rating	Outlook
A.M. Best	A	Stable
Standard & Poor's	A	Stable
Taiwan Ratings	twAA+	Stable

## B. Budget Implementation and Financial Status

The comparison between the actual and budgeted of the year was shown as follows:

Item	NT\$ thousands		
	Actual	Budget	Achievement (%)
Operating Revenues	13,444,095	13,158,222	102.17
Operating Costs	12,220,148	11,884,690	102.82
Gross Operating Income	1,223,947	1,273,532	96.11
Operating Expenses	310,036	331,972	93.39
Net Operating Income	913,911	941,560	97.06
Non-Operating Income and Expenses	-1,190	0	-100.00
Income from Continuing Operations Before Tax	912,721	941,560	96.94

Item	Actual	Budget	Achievement (%)
Income Tax Expense	146,931	161,420	91.02
Net Income	765,790	780,140	98.16

### C. Profitability Analysis

The table below shows an analysis on the profitability ratios of 2016 as compared to those of 2015: The earning per share (after tax) for 2016 is NT\$1.36, the same as that of 2015.

Ratio		Year	2016	2015	Average
Profitability	Return on Assets (%)		2.29	2.28	2.29
	Return on Equity (%)		8.13	8.14	8.14
	Net Operating Income / Paid-Up Capital (%)		16.25	17.49	16.87
	Income from Continuing Operations Before Tax/Paid-Up Capital (%)		16.23	17.46	16.85
	Net Profit Margin (%)		5.70	5.44	5.57
	Earnings Per Share (After Tax)(NT\$)		1.36	1.36	1.36

### D. Research & Development

#### (I) Research & Development/Customer Service

1. To strengthen its internal control and increase the efficiency at work, the Company has been continuously developing integrated information management system. An off-site back-up system has also been established to ensure the smooth operation of the system. In future, the Company will continue making system adjustments and upgrades to support the development plan of the Company and accommodate to statutory requirements. The implementation of data warehouse enables multi-faceted information analysis to assist with the strategic and business decision-making by the management team.
2. The Company endeavors to absorb and adopt the most advanced concepts and technologies from the global market to achieve integrated risk management on a continuous basis. Based on its successful experience in risk management, the Company also provides relevant consulting services to customers and assists the competent authority in facilitating risk management policies and regulations for the industry. It is hoped that the collective efforts would help improving the technology standards in risk management for the industry.
3. By means of market analysis and consumer demand observation, the Company provides tailored services to achieve higher quality standard and

build up marketing competitiveness. Various supporting programs are offered to customers on a timely basis, including new product design, underwriting and claim management expertise, regulatory and actuarial consulting services, etc. The purpose is to solidify customer relationship and create superior business opportunities and platforms on an ongoing basis.

4. In order to render value-added services to customers and improve its professional image, the Company has organized many professional seminars in 2016.

(1) Seminars or programs for our non-life insurance clients:

- ① Executive Summit of Non-life Insurance Companies
- ② Future Talent -Reinsurance Principles and Practices
- ③ Seminars for Reinsurance Managers in Non-Life Insurance Industry- A Brief Overview of the Management of Accident and Health Insurance coverage for Less than 3 Years by Non-Life Insurance Companies based on the Life Insurance industry's experience
- ④ New Definition of Critical Illnesses and Interpretation of Pathology Reports
- ⑤ Tumor Underwriting

(2) Seminars or programs for our life insurance clients:

- ① Seminar on Aging Products of Life Insurance in Japan
- ② Seminar Series for Underwriting and Claims of Life Insurance: Tumor Underwriting, Financial Underwriting, Underwriting Assessment of Abnormal ECG and Relevant Heart Diseases, Basics of Reinsurance for Underwriters
- ③ Medical Insurance Seminar: Underwriting and Claims Assessment of Common Mental Illnesses

The Company has provided various professional seminars to satisfy our clients' needs for years. Participants were given the opportunities to discuss the market status and future trends, share information and improve their professional expertise. The course and seminars also contributed to the tightening of customer relationship for the Company.

## (II) Talent Development

1. The Company administers the following on-job training through its training system:

- (1) Regular Training: Internally, the Company organizes regular internal training to improve employees' work attitude, job

competency and encourage self-growth.

- ① Organized "Orientation for New Employees", which was attended by 6 persons.
- ② Organized "Compliance training and promotion": total four sessions, which were attended by 180 persons.
- ③ Organized "Internal Audit - Internal Control Self-Assessment" training, which was attended by 57 persons.
- ④ Organized "Money Laundering Promotion Course": 2 sessions were conducted, which were attended by 77 persons.
- ⑤ Organized "Personal Information Protection - Basic Awareness Course", which was attended by 52 persons.
- ⑥ Organized "Ethical Corporate Management Training", which was attended by 44 persons.
- ⑦ Organized "2016 Risk Management Training": 4 sessions were conducted, which were attended by 107 persons.

(2) Professional Training: To enhance the employees' professional knowledge and expertise and elevate their work efficiency, the Company also organizes various courses to accommodate the needs of staff at different levels, including professional know-how, techniques, concepts and practices:

- ① Assigned employees for external courses or seminars on shareholder services, general administration, labor safety and human resources management, etc.: total 9 persons.
- ② Assigned employees to attend external professional training or seminars on financial, accounting and investment: total 50 persons.
- ③ Assigned employees to attend external professional reinsurance and actuarial training: total 221 persons.
- ④ Assigned employees to attend external professional training/seminars on risk management and loss control: total 38 persons.

(3) Statutory Training: According to the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises", the Company requires its auditors and compliance personnel to attend the statutory training and meet the required training hours, in the meantime improve their professional expertise thereof.

- ① External training for auditors: attended by 36 persons.
- ② External training for compliance personnel: attended by 14

persons.

2. To support its operating plan and develop reinsurance professionals, the Company also sent employees overseas to attend international conventions, to observe best practices and to participate in training courses: total 10 persons.
3. On an ongoing basis, the Company encourages its employees to obtain professional licenses for their jobs. So far, a total of 59 employees have acquired domestic or international licenses on non-life/life insurance and financial management
  - (1) The certificate as a qualified insurance underwriter of non-life insurance: 20
  - (2) The certificate as a qualified claim adjuster of non-life insurance: 9
  - (3) The certificate as a qualified insurance underwriter of life insurance: 5
  - (4) The certificate as a qualified claim adjuster of life insurance: 3
  - (5) Fellow of the Actuarial Institute of Chinese Taipei: 2
  - (6) International Certificates: CPCU 2 persons, ACII 1 person, DipCII 1 person, SOA ASA 2 persons, CAS ACAS 1 person, ALU 1 person, FLMI 5 persons, LOMA ACS 3 persons, LOMA AAPA 1 person, FRM 2 persons, ARM 1 person.

To optimize its human resources, the Company endeavors to place employees at the most suitable positions in terms of personal interest and strengths, in the meantime fulfill the human resources strategies. During the year, therefore, the Company has recruited 6 new employees, arranged job transfer for 10 employees and promoted 12 employees.

**CENTRAL REINSURANCE CORPORATION**  
**BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

ASSETS		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 15,588,709	47	\$ 16,461,567	50
12000	Accounts receivable	6(2)	116,044	-	248,065	1
12600	Current income tax assets		-	-	69,977	-
14110	Financial assets at fair value through profit or loss	6(3)	773,557	2	537,573	2
14120	Available-for-sale financial assets	6(4)	6,004,823	18	3,802,122	11
14160	Investments in debt instrument without active market	6(5)	4,720,927	14	5,478,882	17
14170	Held-to-maturity financial assets	6(6)	748,490	2	-	-
14180	Other financial assets	6(7)	206,259	1	1,422,932	4
14200	Investment property, net	6(9)	454,638	1	456,730	1
15000	Reinsurance contract assets	6(10)	3,624,254	11	3,455,783	10
16000	Property and equipment, net	6(13)	208,193	1	213,444	1
17000	Intangible assets		2,480	-	3,786	-
17800	Deferred income tax assets	6(19)	61,140	-	28,124	-
18000	Other assets		1,078,718	3	1,086,086	3
	<b>TOTAL ASSETS</b>		<b>\$ 33,588,232</b>	<b>100</b>	<b>\$ 33,265,071</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
21000	Accounts payable	6(14)	\$ 317,140	1	\$ 425,192	2
21700	Current income tax liabilities		81,327	-	68,011	-
23200	Financial liabilities at fair value through profit or loss	6(3)	25,879	-	31,549	-
24000	Insurance liabilities	6(10)	23,594,638	71	23,279,625	70
27000	Provisions	6(15)	3,142	-	8,015	-
28000	Deferred income tax liabilities	6(19)	41,555	-	76,186	-
25000	Other liabilities		25,342	-	27,012	-
	<b>TOTAL LIABILITIES</b>		<b>24,089,023</b>	<b>72</b>	<b>23,915,590</b>	<b>72</b>
30000	<b>EQUITY</b>					
31000	<b>Capital</b>					
31100	Common stock	6(16)	5,622,750	17	5,622,750	17
32000	Capital reserve		300,000	1	300,000	1
33000	<b>Retained earnings</b>					
33100	Legal reserve		1,601,584	5	1,448,411	4
33200	Special reserve	6(18)	1,434,161	4	1,194,523	4
33300	Undistributed earnings	6(19)	798,710	2	816,086	2
34000	Other equity interest		(257,996)	(1)	(32,289)	-
	<b>TOTAL EQUITY</b>		<b>9,499,209</b>	<b>28</b>	<b>9,349,481</b>	<b>28</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 33,588,232</b>	<b>100</b>	<b>\$ 33,265,071</b>	<b>100</b>

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

**CENTRAL REINSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Years ended December 31				Changes Percentage (%)
		2016		2015		
		AMOUNT	%	AMOUNT	%	
41000						
<b>Operating revenues</b>						
41100		\$ 14,041,751	105	\$ 14,194,290	101	( 1)
51100						
		( 908,830)	( 7)	( 914,406)	( 6)	( 1)
51310						
		( 143,534)	( 1)	60,933	-	( 336)
41130		12,989,387	97	13,340,817	95	( 3)
41300		267,732	2	286,205	2	( 6)
41400		12,758	-	13,831	-	( 8)
41500						
		290,349	2	357,752	3	( 19)
41521	6(3)					
		62,291	1	( 311,821)	( 2)	( 120)
41522						
		56,570	-	189,118	1	( 70)
41524						
		4,695	-	19,323	-	( 76)
41550		( 261,249)	( 2)	142,070	1	( 284)
41570	6(9)	18,763	-	19,719	-	( 5)
		171,419	1	416,161	3	( 59)
41800		2,799	-	10,996	-	( 75)
		13,444,095	100	14,068,010	100	( 4)
51000						
<b>Operating costs</b>						
51200		( 8,311,054)	( 62)	( 9,179,765)	( 65)	( 9)
41200						
		437,881	3	429,175	3	2
51260						
		( 7,873,173)	( 59)	( 8,750,590)	( 62)	( 10)
51300						
		( 115,550)	( 1)	324,113	2	( 136)
51500						
		( 4,231,380)	( 31)	( 4,321,737)	( 31)	( 2)
51800		( 45)	-	( 762)	-	( 94)
		( 12,220,148)	( 91)	( 12,748,976)	( 91)	( 4)
58000						
<b>Operating expenses</b>						
58100		( 193,798)	( 1)	( 215,630)	( 1)	( 10)
58200		( 114,901)	( 1)	( 118,299)	( 1)	( 3)
58300		( 1,337)	-	( 1,499)	-	( 11)
		( 310,036)	( 2)	( 335,428)	( 2)	( 8)
		913,911	7	983,606	7	( 7)
59000		( 1,190)	-	( 1,790)	-	( 34)
62000						
		912,721	7	981,816	7	( 7)
63000	6(19)	( 146,931)	( 1)	( 215,951)	( 2)	( 32)
64000						
		765,790	6	765,865	5	-
66000		765,790	6	765,865	5	-

(Continued)

**CENTRAL REINSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Years ended December 31				Changes Percentage (%)
		2016		2015		
		AMOUNT	%	AMOUNT	%	
83000		<b>Other comprehensive income</b>				
83100		<b>Items may not be reclassified to profit or loss subsequently</b>				
83110	6(15)					
		The remeasurements of defined benefit plans	\$ 3,901	- (\$	2,429)	- ( 261)
83180	6(15)(19)					
		Income tax relating to the items may not be reclassified to profit or loss subsequently	( 663)	-	413	- ( 261)
83200		<b>Items may be reclassified to profit or loss subsequently</b>				
83210						
		Exchange differences on translation of foreign financial statements	( 11,034)	-	-	-
83220	6(4)					
		Unrealized loss on available-for-sale financial assets	( 243,043)	( 2)	( 217,755)	( 1) 12
83280	6(4)(19)					
		Income tax relating to the items may be reclassified to profit or loss subsequently	28,370	-	21,201	- 34
		<b>Total other comprehensive loss for the year (after tax)</b>	( 222,469)	( 2)	( 198,570)	( 1) 12
85000		<b>Total comprehensive income for the year</b>				
			\$ 543,321	4	\$ 567,295	4 ( 4)
		<b>Earnings per share</b>				
97500		<b>Basic and Diluted (in NT dollars)</b>				
			\$ 1.36	\$	1.36	

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

**CENTRAL REINSURANCE CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Retained Earnings			Other Equity Interest		Total Equity				
		Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Undistributed Earnings		Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains or Loss on Available-For-sale Financial Assets		
<b>2015</b>											
Balance at January 1, 2015		\$5,622,750	\$300,000	\$1,274,236	\$976,714	\$1,118,951	\$-	\$-	\$164,265	\$9,456,916	
Distributions of 2014 earnings (Note)		-	-	-	-	(174,175)	-	-	-	-	
Legal reserve		-	-	174,175	-	(674,730)	-	-	-	(674,730)	
Cash dividends		-	-	-	-	765,865	-	-	-	765,865	
Net income for the year		-	-	-	-	-	-	-	-	-	
Appropriation for equalization reserve for the year	6(18)	-	-	-	217,809	(217,809)	-	-	-	-	
Other comprehensive income for the year		-	-	-	-	(2,016)	-	-	(196,554)	(198,570)	
Balance at December 31, 2015		<u>\$5,622,750</u>	<u>\$300,000</u>	<u>\$1,448,411</u>	<u>\$1,194,523</u>	<u>\$816,086</u>	<u>\$-</u>	<u>(\$32,289)</u>	<u>\$196,554</u>	<u>\$9,349,481</u>	
<b>2016</b>											
Balance at January 1, 2016		\$5,622,750	\$300,000	\$1,448,411	\$1,194,523	\$816,086	\$-	(\$-	\$32,289)	\$9,349,481	
Distributions of 2015 earnings (Note)		-	-	-	-	-	-	-	-	-	
Legal reserve		-	-	153,173	-	(153,173)	-	-	-	-	
Cash dividends	6(18)	-	-	-	-	(393,593)	-	-	-	(393,593)	
Net income for the period		-	-	-	-	765,790	-	-	-	765,790	
Appropriation for equalization reserve for the year	6(18)	-	-	-	-	-	-	-	-	-	
Other comprehensive loss for the period		-	-	-	239,638	(239,638)	-	-	-	-	
Balance at December 31, 2016		<u>\$5,622,750</u>	<u>\$300,000</u>	<u>\$1,601,584</u>	<u>\$1,434,161</u>	<u>\$798,710</u>	<u>(\$3,238)</u>	<u>(\$9,158)</u>	<u>(\$216,549)</u>	<u>\$9,499,209</u>	

Note: Employees' compensation of \$6,741 and \$7,141, and directors' remuneration of \$2,700 and \$2,878 for 2015 and 2014, respectively, have been deducted from the statement of comprehensive income.

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

**CENTRAL REINSURANCE CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

	Years ended December 31	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 912,721	\$ 981,816
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation	8,999	8,998
Amortization	1,601	1,572
Net change in reserves	260,783	( 367,562 )
Net loss on financial assets and liabilities at fair value through profit or loss	9,441	73,026
Net gain or loss on available-for-sale financial assets	49,340	( 118,922 )
Net gain on investments in debt instruments without active market	( 4,695 )	( 19,323 )
Interest income	( 305,862 )	( 374,593 )
Dividend income	( 112,274 )	( 70,570 )
Unrealized foreign exchange gain or loss	245,009	( 44,958 )
Changes in operating assets and liabilities		
Changes in operating assets		
Accounts receivable	113,264	168,609
Financial assets at fair value through profit or loss	( 251,521 )	304,641
Reinsurance contract assets	( 114,241 )	386,536
Other assets	27,753	( 40,389 )
Changes in operating liabilities		
Accounts payable	( 108,052 )	( 152,714 )
Provisions	( 972 )	( 192 )
Other liabilities	( 1,670 )	( 17,199 )
Cash inflow generated from operations	729,624	718,776
Interest received	356,852	368,714
Dividend received	112,207	71,259
Income tax paid	( 103,578 )	( 171,904 )
Net cash flows from operating activities	<u>1,095,105</u>	<u>986,845</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	( 35,000 )	( 18,050 )
Proceeds from disposal of financial assets at fair value through profit or loss	35,426	17,180
Acquisition of available-for-sale financial assets	( 16,654,882 )	( 18,165,232 )
Proceeds from disposal of available-for-sale financial assets	14,577,694	19,086,734
Acquisition of investments in debt instruments without active market	( 1,112,658 )	( 2,838,055 )
Proceeds from disposal of investments in debt instrument without active market	300,291	-
Proceeds from repayments of investments in debt instruments without active market	1,339,902	540,933
Acquisition of held-to-maturity financial assets	( 1,706,721 )	-
Proceeds from repayments of held-to-maturity financial assets	500,000	-
Acquisition of property and equipment	( 1,176 )	( 5,084 )
Acquisition of intangible assets	( 295 )	( 3,827 )
Acquisition of investment property	( 480 )	( 289 )
Decrease (increase) in other financial assets	1,216,673	( 898,636 )
Net cash flows used in investing activities	<u>( 1,541,226 )</u>	<u>( 2,284,326 )</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Payment of cash dividends	( 393,593 )	( 674,730 )
Net cash flows used in financing activity	<u>( 393,593 )</u>	<u>( 674,730 )</u>
Effects of exchange rate changes	( 33,144 )	2,868
Net decrease in cash and cash equivalents	( 872,858 )	( 1,969,343 )
Cash and cash equivalents at beginning of year	16,461,567	18,430,910
Cash and cash equivalents at end of year	<u>\$ 15,588,709</u>	<u>\$ 16,461,567</u>

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

## REPORT OF INDEPENDENT ACCOUNTANTS

To Central Reinsurance Corporation

### *Opinion*

We have audited the accompanying balance sheets of Central Reinsurance Corporation (the “Company”) as at December 31, 2016 and 2015, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the “Rules for the Preparation of Financial Reports by Insurance Institutions” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

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

### *Key audit matters*

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

## **Recognition of reinsurance revenue**

### Description

For the accounting policy for reinsurance revenue, please refer to Note 4(27) of the financial statements; for critical accounting estimates and assumptions of reinsurance revenue, please refer to Note 5(2) of the financial statements.

The Company's reinsurance revenue accounts for 105% of its operating revenues. The Company estimates reinsurance revenue based on an accrual basis; that is, once reinsurance contracts are signed, the Company elects the ceding company's annual forecasted reinsurance information and then calculates the revenue proportion to be recognized in each quarter based on previous experience of actual statements. Thereafter, when actual statements are received each quarter, original estimates are reversed and actual statements are accrued. The Company then evaluates the reason for differences between actual statements and estimated amounts to adjust the estimated revenues of each quarter, accordingly. Because the recognition of reinsurance revenue involves management's professional judgment and because reinsurance revenue is material to the financial statements, we have thus included the recognition of reinsurance revenue as one of the key audit matters in our audit.

### How our audit addressed the matter

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

1. Understood and assessed the Company's policies, internal controls, and processing procedures related to the recognition of reinsurance revenue.
2. On a sample basis tested the effectiveness of internal controls related to the recognition of reinsurance revenue, including:
  - (1) Checking that management has already recorded reinsurance contracts into their system.
  - (2) Checking the consistency of reinsurance revenue recorded for in the system with the information provided by the ceding company.
  - (3) Calculating the revenue proportion allocated to each quarter during the contract period and recognized amounts used by management to determine their accuracy.
  - (4) Checking the accuracy of actual statements and recorded reversal of estimates.
  - (5) Checking whether management had provided clear reasons for its adjustments on the amounts of estimated revenues of each quarter and checked whether such adjustments were appropriately approved.
3. On a sample basis checked information of actual statements to assess the reasonableness of the Company's adjustments to estimated reinsurance revenue.

## **Estimation of claims reserve**

### Description

For the accounting policy for claims reserve (under insurance liabilities), please refer to Note 4(22) of the financial statements; for critical accounting estimates and assumptions of claims reserve, please refer to Note 5(2) of the financial statements; for details on claims reserve, please refer to Note 6(10) of the financial statements.

The Company's claims reserve accounts for 61% of its insurance liabilities. Aside from statutorily required insurances, the Company estimates the ultimate loss ratio and provisions claims reserve based on assessment factors such as information provided by the ceding company, claim development factors, contract type, insurance risk characteristics, market information, and judgment for the experience of claims and underwriting. Because the methods and assumptions for calculating claims reserve involve management's professional judgment and because claims reserve is material to the financial statements, we have thus included the estimation of claims reserve as one of the key audit matters in our audit.

### How our audit addressed the matter

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

1. Checked the accuracy and completeness of financial information used in calculating claims reserve.
2. On a sample basis calculated claim development factors to determine their accuracy.
3. Used the work of actuarial specialists to assist us in assessing the reasonableness of methods and assumptions used in calculating the ultimate loss ratio. This included:
  - (1) Checking the claim development experience, contract type, insurance risk characteristics, market information, and judgment for the experience of claims and underwriting that are used in estimating the ultimate loss ratio and assessing their reasonableness;
  - (2) Checking whether methods used in the claim development experience agrees with generally accepted actuarial methods;
  - (3) Comparing the ultimate loss ratio with those of other industries in order to assess its reasonableness;
  - (4) Comparing the ultimate loss ratio with those of the most recently audited period in order to assess its reasonableness.
4. Recalculated claims reserve using the aforementioned ultimate loss ratio.

## **Impairment evaluation on equity investments**

### Description

For the accounting policy for the impairment of financial assets, please refer to Note 4(10) of the financial statements; for critical accounting judgments used in the accounting policy for the impairment of financial assets, please refer to Note 5(1) of the financial statements; for details on the available-for-sale financial assets, please refer to Note 6(4) of the financial statements.

Impairment evaluation on equity investments is recognized in accordance with the requirements of IAS 39, 'Financial Instruments: Recognition and Measurement', wherein management is required to assess at the end of each reporting period, on an item by item basis, whether there is any objective evidence that investments are impaired. Management sets a threshold to filter fair value declines in order to assess investments that may have indications of impairment. Thereafter, filtered investments are assessed for objective evidence of impairment on an item by item basis. Because objective evidence used in impairment evaluation involves management's professional judgment, and because if there is objective evidence of impairment, the financial statements will be materially impacted, we have thus included impairment of equity investments as one of the key audit matters in our audit.

### How our audit addressed the matter

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

1. Understood and assessed the policies, internal controls, and processing procedures related to management's impairment evaluation on equity investments.
2. Examined the completeness of investments included by management in the threshold to filter fair value declines in order to assess equity investments that may have indications of impairment.
3. Obtained management's judgments and explanations for filtered equity investments and examined management's referenced basis, such as the industry overview, competitiveness, profitability, future prospects, and recent stock price movements, for its judgments in order to assess the reasonableness of management's professional judgment in evaluating objective impairment evidence.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the “Rules for the Preparation of Financial Reports by Insurance Institutions” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Company’s financial reporting process.

***Auditor’s responsibilities for the audit of the financial statements***

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

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

1. Identify and assess the risks of material misstatement of the 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 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 Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



資誠

*Chen Hsien-I*

Chen, Hsien-I

*cs-h. Lai*

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2017

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

**CENTRAL REINSURANCE CORPORATION**  
**Earnings Distribution Plan**  
**For the Year of 2016**

(Unit: NT\$)

Items	Total	Grand Total
Unappropriated retained earnings of previous years		269,320,131
Add : Net income of 2016	765,790,049	
Add : The remeasurements of defined benefit plans(Note 1)	3,237,592	
Less : Legal reserve	153,158,010	
Less : Special reserve(Note 2)	374,905,810	240,963,821
Retained earnings in 2016 available for distribution		510,283,952
Distributable item :		
Shareholders' dividends— Cash dividends: NT\$0.5 per share	281,137,500	281,137,500
Unappropriated retained earnings		229,146,452

Note 1: Pursuant to Article 11 of the Rules for the Preparation of Financial Reports by Insurance Institutions, the Company defined the remeasurements of defined benefit plans transferred to retained earnings.

Note 2: Special reserve NT\$374,905,810 are as follows:

- (1) According to the Insurance regulations, the provision for equalization reserve NT\$239,637,656 of the year 2016 had been recognized as special reserve.
- (2) The provision for net of deducted from other equity NT\$131,439,204 had been recognized as special reserve.
- (3) According to the Insurance regulations, the provision for FinTech NT\$3,828,950 had been recognized as special reserve.

Note 3: The surplus of year 2016 is allocated by priority .

# Audit Committee's Review Report

TO : 2017 Annual General Meeting

Central Reinsurance Corporation (Central Re)

The Financial Report of the year 2016 of Central Reinsurance Corporation has been audited by the CPA firm of PricewaterhouseCoopers, Taiwan. The Independent Auditor's Report with an unqualified opinion relating to the Financial Statements has been presented by the CPA.

The undersigned hereby certifies the Business Report, Financial Report mentioned above, and profit allocation proposal ended Dec. 31, 2016 have been reviewed and determined to be correct and accurate by the Audit Committee of Central Re in accordance with Article 219 of the Company Law and Article 14-4 of the Securities and Exchange Act.

By : Joseph Choy

Title : Chairman of the Audit Committee

Date : March 23, 2017

# CENTRAL REINSURANCE CORPORATION

## PROCEDURES FOR ACQUIRING AND DISPOSING OF ASSETS

After amendment	Before amendment	Reason for amendment
<p><b>Article 4</b> Operating Procedures</p> <p>1.The degree of authority delegated and the levels to which authority is delegated: shall be executed in accordance with the Company’s table of governing the delegation of authority and responsibility.</p> <p>2.Execution Unit and transaction process:</p> <p>(1)With respect to the acquisition or disposal of securities, the execution unit shall analyze and forecast the future outlook based on the market condition, so as to formulate trading terms and get the approval of Authorized level in accordance with the Company’s table governing the delegation of authority and responsibility.</p> <p>Acquisition and disposal of securities shall be in compliance with “Procedures for Governing Various Applications of Funds” of the Company.</p> <p>(2)With respect to the acquisition or disposal of real property, the execution unit shall</p>	<p><b>Article 4</b> Operating Procedures</p> <p>1.The degree of authority delegated and the levels to which authority is delegated: shall be executed in accordance with the Company’s table of governing the delegation of authority and responsibility.</p> <p>2.Execution Unit and transaction process:</p> <p>(1)With respect to the acquisition or disposal of securities, the execution unit shall analyze and forecast the future outlook based on the market condition, so as to formulate trading terms and get the approval of Authorized level in accordance with the Company’s table governing the delegation of authority and responsibility.</p> <p>Acquisition and disposal of securities shall be in compliance with “Procedures for Governing Various Applications of Funds” of the Company.</p>	<p>To amend Item 2 of Subparagraph 2 since the Company has set up audit committee, transaction on material assets shall be submitted to audit committee for approval in accordance with the provisions of Article 14-5 of Securities and Exchange Act.</p>

After amendment	Before amendment	Reason for amendment
<p>formulate trading terms and get the approval of the Chairman <u>and audit committee</u> and submit a proposal for discussion by the board of directors. But for the reason of timeliness, the transactions can be executed in respect of the approval of Chairman and subsequently have the decisions submitted to and ratified by <u>audit committee</u> and the board of directors.</p> <p>(3)With respect to the acquisition or disposal of equipment and other assets, the execution unit shall conduct analysis and appraisal of the transaction, and formulate trading terms and get approval in accordance with the Company's table governing the delegation of authority and responsibility.</p>	<p>(2)With respect to the acquisition or disposal of real property, the execution unit shall formulate trading terms and get the approval of the Chairman and submit a proposal for discussion by the board of directors. But for the reason of timeliness, the transactions can be executed in respect of the approval of Chairman and subsequently have the decisions submitted to and ratified by the board of directors.</p> <p>(3)With respect to the acquisition or disposal of equipment and other assets, the execution unit shall conduct analysis and appraisal of the transaction, and formulate trading terms and get approval in accordance with the Company's table governing the delegation of authority and responsibility.</p>	
<p><b>Article 5</b> Appraisal Procedures The acquisition or disposal of real property or equipment where the transaction amount reaches 20 percent of the</p>	<p><b>Article 5</b> Appraisal Procedures The acquisition or disposal of real property or equipment where the transaction amount reaches</p>	<p>1.In accordance with the order no. Jin-Guan-Bao-Cai-Zi-1060001296 issued by Financial Supervisory Commission on 9 February,</p>

After amendment	Before amendment	Reason for amendment
<p>Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Under special circumstances it is necessary to take a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be approved by <u>audit committee and submitted to the board of directors for resolution</u> in advance, and the above procedure shall also be followed once the terms and conditions of the transaction are changed in the future.</p> <p>(Omitted)</p>	<p>20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1. Under special circumstances it is necessary to take a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be approved by the board of directors in advance, and the above procedure shall also be followed once the terms and conditions of the transaction are changed in the future.</p> <p>(Omitted)</p>	<p>2017 which amend the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter "the Regulations"), the Chinese wording "government agency" is amended while the English wording remains unchanged.</p> <p>2. To amend Subparagraph 1 of Paragraph 1 since the Company have set up audit committee and transaction on material assets shall be submitted to audit committee for approval in accordance with the provisions of Article 14-5 of Securities and Exchange Act.</p>
<p><b>Article 6</b> Items and Standards of Public Disclosure</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the</p>	<p><b>Article 6</b> Items and Standards of Public Disclosure</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant</p>	<p>1. To amend the disclosure timing in accordance with the Letter No. Taiwan-Stock-Listing-I-1050016280 of the Taiwan Stock Exchange Corporation (TWSE) on 19 August, 2016.</p> <p>2. To move Item 4 of</p>

After amendment	Before amendment	Reason for amendment
<p>FSC's designated website in the appropriate format as prescribed by regulations <u>two hours before the beginning of trading hours on the next business day following the date of occurrence of the event:</u></p> <p>1.Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds <u>issued by the securities investment trust enterprise.</u></p> <p>2.Merger, demerger, acquisition, or transfer of shares.</p> <p>3.Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in "Procedures for Transaction of Financial Derivatives" of the Company.</p> <p>4.Where the type of asset acquired or disposed of is business</p>	<p>information on the FSC's designated website in the appropriate format as prescribed by regulations <u>within 2 days commencing immediately from the date of occurrence of the event:</u></p> <p>1.Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>2.Merger, demerger, acquisition, or transfer of shares.</p> <p>3.Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in "Procedures for Transaction of Financial Derivatives" of the Company.</p> <p>4.Where an asset transaction other than any of those referred to in the preceding</p>	<p>Subparagraph 4 of Paragraph 1 to Subparagraph 4 of Paragraph 1 and amend the standards of public disclosure in accordance with the Regulations.</p> <p>3.To move Item 5 of Subparagraph 4 of Paragraph 1 to Subparagraph 5 of Paragraph 1 and Subparagraph 4 of Paragraph 1 to Subparagraph 6 of Paragraph 1.</p> <p>4. To amend the wording of Item 2 of Subparagraph 6 of Paragraph 1 and to exclude the IPO of common corporate bond and financial bond that do not involve shareholding rights from the items required to disclose.</p> <p>5.To amend the wording in accordance with Paragraph 5 of Article 30 of the Regulations and "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities".</p>

After amendment	Before amendment	Reason for amendment
<p>equipment/machinery for business use, the trading counterparty is not a related party and the transaction amount <u>reaches one of the following circumstances:</u></p> <p>(1)<u>The paid-in capital of the Company is less than NT\$10 billion and the transaction amount reaches NT\$500 million or more.</u></p> <p>(2)<u>The paid-in capital of the Company is NT\$10 billion or more and the transaction amount reaches NT\$1 billion or more.</u></p> <p>5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction <u>reaches NT\$500 million or more.</u></p> <p>6. Where an asset transaction other than any of those referred to in the preceding <u>five</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20</p>	<p><u>three</u> subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.</p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>(4) Where the type of asset acquired or disposed of is business equipment/machinery for business use, the trading counterparty is not a related party and the transaction amount <u>is less than NT\$500 million.</u></p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the Company's own land,</p>	

After amendment	Before amendment	Reason for amendment
<p>percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>(1)Trading of government bonds.</p> <p>(2)Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets or <u>common corporation bond and financial bond that do not involve shareholding rights subscribing on domestic IPO market.</u></p> <p>(3)Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds <u>issued by the securities investment trust enterprise.</u></p> <p>The transaction amount of the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1.The amount of any individual transaction.</li> <li>2.The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3.The cumulative transaction</li> </ol>	<p>engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale ,and the amount the Company expects to invest in the transaction <u>is less than NT\$500 million.</u></p> <p>The transaction amount of the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1.The amount of any individual transaction.</li> <li>2.The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</li> <li>3.The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</li> <li>4.The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same</li> </ol>	

After amendment	Before amendment	Reason for amendment
<p>amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>4.The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>"Within the preceding year" as used in Paragraph 2 refers to one year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives transactions engaged in up to the end of the preceding month and file the information in the prescribed format on the information reporting website designated by the FSC by the 10th day of each month.</p> <p>In the event of the items which are required for public announcement contain error or omission and shall be rectified, all the items shall be again publicly announced and reported in entirety <u>two hours before the beginning of trading hours on the next</u></p>	<p>security within the preceding year.</p> <p>"Within the preceding year" as used in Paragraph 2 refers to one year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.</p> <p>The Company shall compile monthly reports on the status of derivatives transactions engaged in up to the end of the preceding month and file the information in the prescribed format on the information reporting website designated by the FSC by the 10th day of each month.</p> <p>In the event of the items which are required for public announcement contain error or omission and shall be rectified, all the items shall be again publicly announced and reported in entirety.</p> <p>Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the regulations, a public report of relevant information shall be filed on the website designated by</p>	

After amendment	Before amendment	Reason for amendment
<p><u>business day following the date of realizing the event.</u></p> <p>Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the regulations, a public report of relevant information shall be filed on the website designated by the FSC <u>two hours before the beginning of trading hours on the next business day following the date of occurrence of the event:</u></p> <ol style="list-style-type: none"> <li>1. Amendment, termination, or rescission of a contract signed in regard to the original transaction.</li> <li>2. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.</li> <li>3. The contents of the originally publicly announced and reported information have changed.</li> </ol> <p>The Company acquiring or disposing of assets shall retain all relevant contracts, meeting minutes, memorandum books, appraisal reports and the opinions provided by CPA, attorney, and securities underwriter in the Company headquarters for 5 years at least except where another act provides otherwise.</p>	<p>the FSC <u>within 2 days commencing immediately from</u> the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Amendment, termination, or rescission of a contract signed in regard to the original transaction.</li> <li>2. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.</li> <li>3. The contents of the originally publicly announced and reported information have changed.</li> </ol> <p>The Company acquiring or disposing of assets shall retain all relevant contracts, meeting minutes, memorandum books, appraisal reports and the opinions provided by CPA, attorney, and securities underwriter in the Company headquarters for 5 years at least except where another act provides otherwise.</p>	

After amendment	Before amendment	Reason for amendment
<p><b>Article 9</b> Procedures for Acquiring or Disposing of Assets with Related Parties (Omitted)</p> <p>When the Company intends to acquire or dispose of real property or other assets from or to a related party, except for trading of government bonds, bonds under repurchase or reverse repurchase agreements, or subscription or redemption of domestic money market funds <u>issued by the securities investment trust enterprise</u>, the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets or NT\$300 million or more, the Company may not enter into a contract or make any payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Paragraphs 2 and 3 of Article 15:</p> <ol style="list-style-type: none"> <li>1.The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2.The reason for choosing the related party as a trading counterparty.</li> <li>3.With respect to the</li> </ol>	<p><b>Article 9</b> Procedures for Acquiring or Disposing of Assets with Related Parties (Omitted)</p> <p>When the Company intends to acquire or dispose of real property or other assets from or to a related party, except for trading of government bonds, bonds under repurchase or reverse repurchase agreements, or subscription or redemption of domestic money market funds, the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets or NT\$300 million or more, the Company may not enter into a contract or make any payment until the following matters have been approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Paragraphs 2 and 3 of Article 15:</p> <ol style="list-style-type: none"> <li>1.The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</li> <li>2.The reason for choosing the related party as a trading counterparty.</li> <li>3.With respect to the acquisition of real property from a related party,</li> </ol>	<ol style="list-style-type: none"> <li>1.To amend the wording of Paragraph 4 and delete Paragraph 5 because the audit committee's approval threshold for material assets and procedures for independent directors' objections and reservations have been stipulated in Article 15.</li> <li>2.To amend the wording and adjust paragraph number.</li> </ol>

After amendment	Before amendment	Reason for amendment
<p>acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 and Article 11.</p> <p>4.The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5.Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6.An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with Paragraph 1.</p> <p>7.Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The transaction amounts referred in the Paragraph 4 shall be calculated in accordance with Paragraph 2 of Article 6 and "within the preceding year" as used herein refers to one year preceding the date of</p>	<p>information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 and Article 11.</p> <p>4.The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</p> <p>5.Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6.An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with Paragraph 1.</p> <p>7.Restrictive covenants and other important stipulations associated with the transaction.</p> <p><u>When a matter is submitted to the board of directors for discussion in accordance with the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent</u></p>	

After amendment	Before amendment	Reason for amendment
<p>occurrence of the current transaction. Transactions that have been approved by audit committee and submitted to the board of directors for a resolution need not be counted toward the transaction amount.</p>	<p><u>director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</u> The transaction amounts referred in the Paragraph 4 shall be calculated in accordance with Paragraph 2 of Article 6 and "within the preceding year" as used herein refers to one year preceding the date of occurrence of the current transaction. Transactions that have been approved by audit committee and submitted to the board of directors for a resolution need not be counted toward the transaction amount.</p>	
<p><b>Article 12</b> Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the <u>audit committee and board of directors discussing the Mergers and acquisitions,</u> shall engage a CPA, attorney, securities underwriter <u>or other independent experts</u> to provide opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the</p>	<p><b>Article 12</b> Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors <u>for resolution,</u> shall engage a CPA, attorney, <u>or securities underwriter</u> to provide opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the opinions to the board of directors for deliberation and</p>	<p>1.To amend the wording of Paragraph 1 and Paragraph 2 in accordance with Article 6 and Article 7 of Business Mergers And Acquisitions Act. 2.To add the exemption of experts opinion of Paragraph 1 in accordance with Article 22 of the Regulations.</p>

After amendment	Before amendment	Reason for amendment
<p><u>opinions to audit committee for approval and submit to the board of directors for deliberation and passage. In the event the Company merge with its subsidiary company whose one hundred percent of the total issued shares or total capital is held directly or indirectly by the Company or that subsidiary company merge with one another whose one hundred percent of the total issued shares or total capital is held directly or indirectly by the Company, the Company may be exempt from the preceding experts opinions on the reasonableness.</u></p> <p>The Company participating in a merger, demerger or acquisition shall prepare a public report to shareholders detailing important contractual content, matters relevant to the merger, demerger, or acquisition, and the expert opinions of the preceding paragraph and the outcome of audit committee prior to the shareholders' meeting when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to</p>	<p>passage.</p> <p>The Company participating in a merger, demerger or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the Company shall publicly explain the reason, the follow-up measures, and the</p>	

After amendment	Before amendment	Reason for amendment
<p>approve the merger, demerger, or acquisition, this restriction shall not apply.</p> <p>Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting without delay.</p> <p>Unless otherwise provided by another act or granted in advance by the FSC for extraordinary circumstances, the companies participating in any merger, demerger or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition.</p> <p>Unless otherwise provided by another act or granted in advance by the FSC for extraordinary circumstances, the companies participating in a transfer of shares shall convene a board of directors meeting and shareholders' meeting on the day of the transaction.</p>	<p>preliminary date of the next shareholders' meeting without delay.</p> <p>Unless otherwise provided by another act or granted in advance by the FSC for extraordinary circumstances, the companies participating in any merger, demerger or acquisition shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition.</p> <p>Unless otherwise provided by another act or granted in advance by the FSC for extraordinary circumstances, the companies participating in a transfer of shares shall convene a board of directors meeting and shareholders' meeting on the day of the transaction.</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:</p> <ol style="list-style-type: none"> <li>1. Basic identification data for personnel: Including the job titles, names, and national ID numbers (or passport numbers in case</li> </ol>	

After amendment	Before amendment	Reason for amendment
<p>When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:</p> <p>1. Basic identification data for personnel: Including the job titles, names, and national ID numbers (or passport numbers in case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.</p> <p>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including plans for mergers, demergers, acquisitions, and transfer of shares, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meeting.</p> <p>When participating in a</p>	<p>of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.</p> <p>2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including plans for mergers, demergers, acquisitions, and transfer of shares, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meeting.</p> <p>When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, <u>within two days from</u> the date of passage of a resolution by the board of directors, submit the information required in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation. The</p>	

After amendment	Before amendment	Reason for amendment
<p>merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, <u>two hours before the beginning of trading hours on the next business day following the date of passage of a resolution by the board of directors, submit the information required in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation. The information shall be disclosed in the prescribed format and via the Internet-based information system.</u> (Paragraph 8 to Paragraph 13 Omitted)</p>	<p>information shall be disclosed in the prescribed format and via the Internet-based information system. (Paragraph 8 to Paragraph 13 Omitted)</p>	
<p><b><u>Article 16</u></b> Effectiveness Any amendment of the Procedures shall be approved by the audit committee, <u>and submitted to the board of directors for resolution, and then submitted to the shareholders' meeting for approval.</u></p>	<p><b><u>Article 16</u></b> Effectiveness <u>Upon a resolution passed by the board of directors, the Procedures shall be given to each supervisor and shall become effective after ratification by the shareholders' meeting.</u> Any amendment of The Procedures shall be approved by the audit committee, the board of directors, and the shareholders' meeting thereafter.</p>	<p>To amend the wording due to audit committee established and substituted for supervisor.</p>

# CENTRAL REINSURANCE CORPORATION

## Procedures for Transaction of Financial Derivatives

After amendment	Before amendment	Reason for amendment
<p><b><u>Article 1</u></b> Accordance</p> <p>The Procedures are set forth in accordance with the provisions of Article 12 of the “Regulations Governing Derivatives Transactions Conducted by Insurance Companies” and Paragraph 3 of Article 7 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>	<p><b><u>Article 1</u></b> Accordance</p> <p>The Procedures are set forth in accordance with the provisions of Article 11 of the “Regulations Governing Derivatives Transactions Conducted by Insurance Companies” and Paragraph 3 of Article 7 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>	<p>To amend the reference article in accordance with the “Regulations Governing Derivatives Transactions Conducted by Insurance Companies”.</p>
<p><b><u>Article 7</u></b> Counterparties and Each Transaction Limits Paragraph 1 to 3(Omitted)</p> <p><u>The selection and evaluation criteria of the collateral management agency:</u></p> <p>1. <u>Qualifications:</u></p> <p>(1)<u>The capital or net worth of the immediately preceding year is ranked within the top 500 banks in the world.</u></p> <p>(2)<u>The long-term debt credit rating of the immediately preceding year has been assessed as A- or equivalent level by foreign credit rating agencies.</u></p> <p>2.<u>The selection and evaluation items and procedures of the collateral management agency:</u></p>	<p><b><u>Article 7</u></b> Counterparties and Each Transaction Limits Paragraph 1 to 3(Omitted)</p>	<p>To add relative regulation of the collateral management agency in accordance with the promulgation of Order No. Jin-Guan-Bao-Cai-Zi-10500960781 of Financial Supervisory Commission on 29 December, 2016.</p>

After amendment	Before amendment	Reason for amendment
<p><u>The Company shall prepare the assessment reports regarding the credit status, the size of the assets, the provision of services, the rationality of charge rate, the safety of the assets and the soundness of the delivery process of the collateral management agency subject to the preceding subparagraph. The reports shall be submitted to the Department Compliance Supervisor and Financial Risk Control unit. All of the reports and relevant recommendations should be documented for auditing thereafter. The relevant contracts should be submitted to Legal &amp; Compliance Department and signed in the name of the Company. Finance Department shall evaluate the collateral management agency periodically.</u></p> <p><u>3.The signing and amendment of the contracts with the collateral management agency and the change of the authorized persons shall be subject to the approval of the Chairman. The contracts for managing collateral reception and delivery activities shall contain the</u></p>		

After amendment	Before amendment	Reason for amendment
<p><u>following requirements :</u></p> <p>(1) <u>The authorized scope of the collateral management agency and the manner in which the authorization and change of the authorized person of the Company are informed.</u></p> <p>(2) <u>The services provided by the collateral management agency.</u></p> <p>(3) <u>The responsibility and the obligations of a good administrator of the collateral management agency.</u></p> <p>(4) <u>The confidentiality obligations of the collateral management agency.</u></p> <p>(5) <u>The calculation of custodian fee and the way of receipt and delivery.</u></p> <p>(6) <u>The termination of the contract.</u></p> <p>(7) <u>Dispute handling, breach of the contract and its liability, litigation jurisdiction and applicable laws.</u></p> <p>(8) <u>The mechanism of the firewall between the unit responsible</u></p>		

After amendment	Before amendment	Reason for amendment
<p><u>for the collateral management business in the collateral management agency and the unit of the financial derivatives trading business in the Company.</u></p> <p>(9) <u>The competent authority may designate persons or order the Company to entrust an accountant or other professional personnel to check the execution status of the collateral management agency in accordance with the contract. The collateral management agency shall not reject the investigation about the relevant matters.</u></p>		
<p><b>Article 10</b> Public Disclosure The Accounting Department shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission(hereinafter referred to as “FSC”) by the</p>	<p><b>Article 10</b> Public Disclosure The Accounting Department shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission(hereinafter referred to as “FSC”) by the</p>	<p>To amend the disclosure timing in accordance with the Letter No. Taiwan-Stock-Listing-I-1050016280 of the Taiwan Stock Exchange Corporation (TWSE) on 19 August, 2016 “In order to let investors have enough time to digest the material information, to enhance the timeliness of information disclosures and to lower the impact of media reportage,</p>

After amendment	Before amendment	Reason for amendment
<p>10th day of each month.</p> <p>When losses from derivatives trading reaching the limits set out in the Procedures, the Finance Department shall publicly announce and report the relevant information on the FSC's designated website <u>two hours before the beginning of trading hours on the next business day following the date of occurrence of the event.</u></p>	<p>10th day of each month.</p> <p>When losses from derivatives trading reaching the limits set out in the Procedures, the Finance Department shall publicly announce and report the relevant information on the FSC's designated website <u>within 2 days commencing immediately from</u> the date of occurrence of the event.</p>	<p>TWSE amend the material information announcement timing.”</p>
<p><b>Article 13</b> Risk Control Measures and Internal Control System</p> <p>Risk control measures and internal control system taken by the Company for financial derivatives transactions shall be as follows:</p> <p>1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>2. Evaluation method and frequency: Finance Department shall evaluate the financial derivatives positions at least twice per month. The evaluation reports shall be submitted to senior management personnel authorized by the board of directors and the president. The evaluating method shall be</p>	<p><b>Article 13</b> Risk Control Measures and Internal Control System</p> <p>Risk control measures and internal control system taken by the Company for financial derivatives transactions shall be as follows:</p> <p>1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>2. Evaluation method and frequency: Finance Department shall evaluate the financial derivatives positions at least twice per month. The evaluation reports shall be submitted to senior management personnel authorized by the board of directors and the president. The evaluating method shall be</p>	<p>1. To amend the wording in accordance with the provisions of Article 13 of the “Regulations Governing Derivatives Transactions Conducted by Insurance Companies” per 17 February, 2016 Order No. Jin-Guan-Bao-Cai-Zi-10502500671 of Financial Supervisory Commission.</p> <p>2. The reason to add Subparagraph 5 is same as Article 7.</p> <p>3. Amend the number of the Subparagraphs.</p>

After amendment	Before amendment	Reason for amendment
<p>in accordance with “Rules for the Preparation of Financial Reports by Insurance Institutions” and the “Generally Accepted Accounting Principles”.</p> <p>3. With regard to risk identification, assessment, monitoring and control, legality of derivatives transactions, Finance Department shall periodically submit a performance report to the senior management personnel authorized by the board of directors.</p> <p>4. Finance Department shall report to the soonest meeting of the board of directors including total and net amount of contracts with the obligations which have not become due as well as unrealized gain or loss evaluated in accordance with the fair value, compliance with the Procedures, <u>the performance and risk assessment reports on the transactions for hedging and structured products</u>; and report to the Risk Management Committee at least once every six months.</p> <p><u>5. Finance Department shall regularly make the confirmation of the</u></p>	<p>in accordance with “Rules for the Preparation of Financial Reports by Insurance Institutions” and the “Generally Accepted Accounting Principles”.</p> <p>3. With regard to risk identification, assessment, monitoring and control, legality of derivatives transactions, Finance Department shall periodically submit a performance report to the senior management personnel authorized by the board of directors.</p> <p>4. Finance Department shall report to the soonest meeting of the board of directors including total and net amount of contracts with the obligations which have not become due as well as unrealized gain or loss evaluated in accordance with the fair value, compliance with the Procedures, <u>hedging and risk assessment reports</u>; and report to the Risk Management Committee at least once every six months.</p> <p><u>5. Finance Department shall establish a log book in which details of the types and amounts of financial derivatives trading engaged in, board of</u></p>	

After amendment	Before amendment	Reason for amendment
<p><u>financial derivatives position and the evaluation, receipt and delivery, replacement, dispute settlement and interest management of the collateral provided by the collateral management agency. When the Company conducts the collateral management by itself, the Financial Department shall regularly evaluate the suitability of the financial derivatives position and the collaterals.</u></p> <p><u>6.</u>Finance Department shall establish a log book in which details of the types and amounts of financial derivatives trading engaged in, board of directors' approval dates, and the matters required to be carefully evaluated and retain it at least for 5 years for reference.</p> <p><u>7.</u>When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, the senior management personnel authorized by the board of directors shall adopt appropriate measures and report to the board of directors. Independent directors shall be present at the meeting and express an</p>	<p>directors' approval dates, and the matters required to be carefully evaluated and retain it at least for 5 years for reference.</p> <p><u>6.</u>When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, the senior management personnel authorized by the board of directors shall adopt appropriate measures and report to the board of directors. Independent directors shall be present at the meeting and express an opinion.</p>	

After amendment	Before amendment	Reason for amendment
opinion.		
<p><b><u>Article 17</u></b> Effectiveness  Any amendment of the Procedures shall be approved by the Audit Committee, <u>and submitted to the Board of Directors for resolution</u>, and then submitted to the Shareholders' Meeting <u>for approval</u>.</p>	<p><b><u>Article 17</u></b> Effectiveness  Any amendment of the Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders' Meeting <u>thereafter</u>.</p>	<p>To amend the wording.</p>

## CENTRAL REINSURANCE CORPORATION 2017 Annual General Meeting of Shareholders

### Roster of Directors (Including Independent Directors) Candidates

Item	A/C Number	Name	Major Education	Major Past Work Experience	Concurrent Positions	Shares
Director	5318	Evergreen International Corp. Representative: Yang, Cheng-Tui	MBA, The College of Insurance, New York City Dept. of Economics, National Taiwan University	President, Central Reinsurance Corp. Deputy Director General, Dept. of Insurance, Ministry of Finance	Chairman, Central Reinsurance Corp. Adjunct Associate Professor, Dept. of Risk Management and Insurance, National Chengchi University	197,541,037
Director	5318	Evergreen International Corp. Representative: Chang, Kuo-Cheng	Boston University(BSBA)	Chairman, Evergreen Marine Corp. (Taiwan) Ltd. Chairman, EVA Airways Corp.	Vice Chairman, Central Reinsurance Corp. Supervisor, Evergreen International Corp. Chairman, Evergreen Insurance Company Limited	197,541,037
Director	5318	Evergreen International Corp. Representative: Chang, Kuo-Ming	Bachelor of Science in Electrical Engineering, University of Southern California	Director, Evergreen International Corp.	Director, Evergreen International Corp.	197,541,037
Director	5318	Evergreen International Corp. Representative: Tai, Jiin-Chyuan	Master degree in Maritime Law, National Taiwan Ocean University	Legal Executive Vice President, Evergreen International Corp.	President, Evergreen International Corp. Director: Central Reinsurance Corp. EVA Airways Corp., Evergreen	197,541,037

Item	A/C Number	Name	Major Education	Major Past Work Experience	Concurrent Positions	Shares
					International Storage & Transport Corp., Evergreen International Corp., Uni Airways Corp., Evergreen Sky Catering Corp., Evergreen Security Corp., Shun An Enterprise Corp., Evergreen Aviation Technologies Corp., Taipei Port Container Terminal Corp., Super Max Engineering Enterprise Corp., Evergreen Insurance Company Limited	
Director	1	Ministry of Finance, R.O.C. Representative: Lee, Yi-Fen	Master Graduate, Institute of Public Policy Science National Chung Hsing University	Senior Executive Officer, Department of Secretariat, Ministry of Finance, R.O.C  Senior Executive Officer, Department of Planning Ministry of Finance, R.O.C	Director, Central Reinsurance Corp.  Deputy Director General, Department of Planning, Ministry of Finance, R.O.C	123,266,689
Director	1	Ministry of Finance, R.O.C. Representative: Chen, Kuan-Pao	Department of Land Economics, National Chengchi University	Director, Northern Region Office, National Property Administration  Deputy Director General, National Property Administration, Ministry of Finance, R.O.C	Director, Central Reinsurance Corp.  Acting Director General, Training Institute, Ministry of Finance, R.O.C.	123,266,689

Item	A/C Number	Name	Major Education	Major Past Work Experience	Concurrent Positions	Shares
Independent Director	B1207*****	Yau, Sea-Wain	Juris Doctor, University of Iowa Master of Comparative Law, University of Iowa Master of Criminal Justice Administration, Oklahoma City University Bachelor of Law, Chinese Culture University	Member, Administrative Appeal Review Committee, Executive Yuan Professor, College of Law, Chinese Culture University Dean, College of Law, Chinese Culture University	Independent Director, Central Reinsurance Corp. Dean, Office of International & Cross-Strait Academic Exchange, Soochow University Professor, School of Law, Soochow University Executive Director & Chief Executive Officer, John Tung Foundation	0
Independent Director	F1201*****	Chou, Yu-Cheng	Master of Accounting, University of Alabama Department of Accounting, National Chengchi University	Partner, Pricewaterhouse Coopers	Independent Director, Central Reinsurance Corp. Vice President, Yuanta Futures Co., Ltd.	0
Independent Director	M1000*****	Chow, Ker-Kaoo	Department of Insurance, Feng Chia University	CEO of Guy Carpenter Taiwan branch	Senior Consultant also has a side job as the legal compliance staff of Wilson Re (Taiwan) Limited	627

# CENTRAL REINSURANCE CORPORATION

## ARTICLES OF INCORPORATION

### Chapter 1 GENERAL PROVISIONS

#### **Article 1**

This Company is incorporated pursuant to the provisions governing a company limited by Shares of the Company Law of Republic of China with the name of 中央再保險股份有限公司 in Chinese and CENTRAL REINSURANCE CORPORATION in English.

#### **Article 2**

The Company may engage in the activity of H501031 Reinsurance Business.

#### **Article 3**

The office of the Company is located in Taipei, Taiwan, where necessary, the Company may have branches or offices established within or outside the Republic of China as approved by competent authority.

#### **Article 4**

The fund management and investment of the Company, in compliance with Insurance Law and related regulations, shall not be subject to the restriction of not exceeding 40 percent of the paid-up capital of the Company pursuant to Article 13 of the Company Law.

### Chapter 2 SHARES

#### **Article 5**

The total authorized capital of the Company shall be NT\$6,000,000,000 divided into 600,000,000 shares at NT\$10 each. The Board of Directors is hereby authorized to issue the unissued shares in installments.

#### **Article 6**

The shares issued by the Company may be paperless and must be registered in the Securities Central Depository Business Institution.

#### **Article 7**

Registration of share transfer, within sixty (60) days before the date of Annual General Meeting of the Shareholders, thirty (30) days before the date of Extraordinary Meeting of Shareholders, or five (5) days before the date fixed by the Company for distribution of dividends, bonus or other benefits, shall not be conducted.

## Chapter 3 SHAREHOLDERS' MEETING

### **Article 8**

The Shareholders' Meeting of the Company consists of two categories; the Annual General and Extraordinary Meetings;

- The Annual General Meeting shall be duly held within six (6) months after the end of each fiscal year of the Company;
- The Extraordinary Meeting of the Company may be duly held if necessary.

### **Article 9**

Notices to convene the Annual General Meeting shall be given to each shareholder thirty (30) days in advance, and the one to convene the Extraordinary Meeting shall be given fifteen (15) days in advance. Notices of the Shareholders' Meeting shall specify the time and place of the meeting and the particulars of the business to be transacted, and shall be given to all the Shareholders.

### **Article 10**

A shareholder who is unable to attend a Shareholders' Meeting may appoint a proxy to attend and vote on his behalf pursuant to a power of attorney printed and distributed by the Company duly issued by the Shareholder stating the ambit of the proxy's authority.

### **Article 11**

Unless otherwise provided under the Company Law and related regulations, the quorum for a Shareholders' Meeting shall be duly adopted by a majority in the meeting attended by Shareholders who represent a majority of the total issued shares.

### **Article 12**

The shareholders of the Company shall have one voting right for each share, unless otherwise regulated under the relevant laws and regulations.

### **Article 13**

When Shareholders' Meeting is convened by the Board of Directors, its chairman shall be processed in accordance with the provisions in Article 208 of the Company Law.

When the meeting is convened by other party with right of summons other than the Board of Directors, the Chairman shall be undertaken by that party with right of summons. When there are two or more parties with right of summons, one party will be elected from these parties.

#### **Article 14**

The resolutions adopted by the Shareholders' Meeting shall be reported in the minutes. The content, distribution and other essentials of the minutes shall be made in accordance with the provision of Article 183 of the Company Law.

#### Chapter 4 DIRECTORS AND MANAGERS

#### **Article 15**

The Company shall have seven to nine (7~9) Directors.

The election of the Directors shall adopt the candidate nomination system provided in the Article 192-1 of the Company Law. The shareholders shall elect the Directors from the list of candidates announced by the Company. The related matters shall be processed according to the relevant regulations.

The total number of shares that should be held by all Directors of the first paragraph shall be subject to the provision established by the Securities Management Institution.

#### **Article 16**

The Directors shall be elected at the Shareholders' Meeting from competent persons in accordance with law provisions. They shall have a three-year term of office and are eligible for re-election. The Directors may, according to Article 199 of the Company Law, be discharged at any time by a resolution passed at a Shareholders' Meeting.

#### **Article 17**

There should be three (3) Independent Directors of the total number of directors as stipulated in Article 15.

Independent and non-independent directors shall be elected at the same time with respective eligible numbers.

The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election and any other matters as required with respect to independent directors shall be in compliance with Securities and Exchange Act and the related regulations.

#### **Article 18**

The Directors shall constitute the Board. The Chairman shall be elected at a meeting attended by at least two thirds (2/3) or more of the entire Directors and by a simple majority vote of the Directors present at the meeting and may also elect a Vice Chairman in the same manner.

The Chairman of the Board of Directors shall internally preside at the Meetings

of Shareholders and Meetings of the Board of Directors, and shall externally represent the Company. When the Chairman is on leave of absence or cannot exercise its job for any cause, agency of his/her job shall be handled in accordance with Article 208 of the Company Law.

#### **Article 19**

When the number of vacancies in the Board of Directors equals to one third (1/3) of the total number of Directors, the Board of Directors shall convene an Extraordinary Shareholders' Meeting for election of supplementary Directors within sixty (60) days of such occurrence in accordance with the laws. The term of office of the supplementary Directors shall be limited to make up the original term of office.

When an independent director is discharged for any reason, resulting in a shortage of number of directors required under paragraph 1 of Article 17, a by-election for independent director shall be held at the next following shareholders' meeting. When all independent directors have been discharged, the Board of Directors shall convene a shareholders' meeting for by-election within sixty (60) days of such occurrence.

#### **Article 20**

For execution of business of the Company, apart from items that are separately specified in related laws or the Articles of Incorporation to be resolved at the Shareholders' Meeting, all items shall be resolved by the Board of Directors.

#### **Article 21**

The Company shall establish an audit committee according to Article 14-4 of the Securities and Exchange Act. The exercise of Audit Committee and its members' duties and authorizations and matters relating thereto, shall be in compliance with Securities and Exchange Act and the related regulations.

#### **Article 22**

The meeting of the Board of Directors of the Company shall be informed to each Director with a notice stating matters to be discussed seven (7) days prior to convening such meeting. Nevertheless, in case of emergency, the said meeting may be convened immediately.

The notice set forth in the preceding paragraph may be served in the form of written document, e-mail or fax.

The meeting of the Board of Directors shall be attended by the Directors

personally. Where a Director is unable to attend a meeting, he or she may authorize another Director to attend on his or her behalf by issuing a power of attorney specifying the notified matters and the ambit of the authorization. Each Director shall only accept one proxy.

Unless otherwise provided under the related regulations or this Articles of Incorporation, resolutions of the Board of Directors shall be adopted by the approval of a majority of the Directors in a meeting attended by a majority of all the Directors.

A meeting of the Board of Directors may be conducted through video conference, and the Directors who participate in video shall be deemed to have attended the meeting in person.

### **Article 23**

The compensation of the Directors is authorized to be resolved by the Board of the Directors according to their level of participation of the Company's operation and their value of contribution as well as the normal standard of the industry.

### **Article 24**

The Company may take out liability insurance for all Directors during their terms of offices to cover their legal liability for damages arising from their performance of duties.

The Company may also indemnify within a certain amount to Director(s), who is (are) liable to pay compensation or legal expense, except for those caused by their intentional or gross negligence acts or by a suit brought in accordance with a resolution of the Shareholders' Meeting.

The so-called "a certain amount" in the preceding paragraph is authorized to be resolved by the Board of Directors according to the actual situations.

### **Article 25**

An Audit Division is to be set up under the Board of Directors to perform internal audits with independent and objective spirit, and to report to the Board of Directors on regular basis.

A Chief Auditor shall be appointed to the Audit Division. The appointment, discharge or transfer of the Chief Auditor shall be concurred by more than two thirds (2/3) of the entire directors.

The Audit Division may have one or more auditors. The appointment of auditors shall be proposed by the Chief Auditor and approved by the Chairman of the Board of Directors.

#### **Article 26**

The company may appoint managers. Appointment, discharge and the remuneration of the managers shall be made in accordance with the provisions of Article 29 of the Company Law.

### Chapter 5 ACCOUNTING

#### **Article 27**

Fiscal year of the Company falls between January 1st and December 31st of each year. Before the commencement of each fiscal year, budget and business plan shall be submitted to the Board of Directors Meeting for approval.

#### **Article 28**

After the end of each fiscal year of the Company, the Board of Directors shall prepare the following reports and submit in accordance with legal procedures for approval by the shareholders at the Annual General Meeting:

- Business report.
- Financial statements.
- Proposal for profit distribution or loss restitution.

#### **Article 29**

Minimum 0.5% of profit of the current year distributable as employees' compensation and not exceed 1% of profit of the current year distributable as remuneration of Directors shall be distributed when the Company have profit. However, the Company's accumulated losses shall have been covered before distributing employees' compensation and remuneration of Directors by the aforementioned principles.

Employees' compensation may be distributed in the form of shares or in cash; Remuneration of Directors shall be distributed in the form of cash only.

The profit set out in the first Paragraph is meaning thereto income before income tax of the current year including the profit of employees' compensation and remuneration of Directors.

The amount of payment of the employees' compensation and the remuneration of Directors and the distribution manner of the employees' compensation shall

be adopted by a majority vote at a meeting of the Board of Directors attended by two-third of the total number of directors and then to be reported to the shareholders meeting.

#### **Article 29-1**

Any profit made by the Company for each fiscal year shall, after deduction of tax, be applied firstly towards making up any losses incurred by the Company in the previous years, secondly retaining twenty (20) percent of the balance thereof as legal reserve, then setting aside or release special reserve in accordance with regulations and adding previous retained earnings for the Board of Directors to make surplus profit proposal for distribution for resolution by the Shareholders' Meeting.

Shareholders' dividend may be distributed in cash dividend and stock dividend, with the cash dividend not less than fifty (50) percent of the total amount of distribution.

### **Chapter 6 MISCELLANEOUS**

#### **Article 30**

The Company may set up executing units in accordance with business needs where their rule and regulation shall be separately stipulated.

The Board of Directors may set up functional committees in accordance with regulations or business needs. Their Charters shall be made by the Board of Directors.

#### **Article 31**

Any matter not provided for by this Articles of Incorporation shall be subject to the Company Law and related regulations.

#### **Article 32**

Various operation procedures of the Company shall be separately stipulated by the President where substantial rule and regulation shall be reported to the Board of Directors for approval.

#### **Article 33**

This Articles of Incorporation entered into force from the date resolved by the Shareholders' Meeting and the same procedure shall apply when it is revised. The history is as follow:

(1) These Articles were originally established on October 26, 1967.

- (2) The 1st to the 23rd amendments were made between January 18, 1972 and October 26, 2005.
- (3) The 24th amendment was made on June 15, 2007.
- (4) The 25th amendment was made on June 13, 2008.
- (5) The 26th amendment was made on June 18, 2010.
- (6) The 27th amendment was made on June 15, 2012.
- (7) The 28th amendment was made on June 13, 2013.
- (8) The 29th amendment was made on June 11, 2014.
- (9) The 30th amendment is made on May 27, 2016.

# **CENTRAL REINSURANCE CORPORATION**

## **RULES FOR PROCEDURE OF THE SHAREHOLDERS' MEETING**

### **Article 1**

The shareholders' meetings of Central Reinsurance Corporation (hereinafter referred to as "the Company") shall be conducted pursuant to these Rules.

For matters not prescribed in these Rules, except where explicitly prescribed by Company Law, the Company's Articles of Incorporation, and other laws and regulations, the chairman shall decide such matters.

### **Article 2**

The attending shareholders or shareholders attending through proxies (hereinafter referred to as "the Shareholders") shall hand over check-in cards in lieu of signing in.

The number of shares for attending the meeting shall be counted according to the delivered check-in cards.

Where an institutional shareholder is delegated to attend the shareholders' meeting, such institutional shareholder shall only appoint one (1) representative to attend the meeting.

### **Article 3**

Quorum and votes of shareholders' meeting shall be counted on the basis of number of shares.

### **Article 4**

Venue of the shareholders' meeting shall be at the place where the Company is located or at any other place where it is convenient for the Shareholders to attend and is suitable for the meeting to be conducted. The meeting shall commence not earlier than 09:00 A.M. or not later than 03:00 P.M.

### **Article 5**

Except where prescribed by laws and regulations, the Board of Directors shall convene shareholders' meetings.

All Shareholders shall be notified thirty (30) days in advance of an annual general shareholders' meeting. All Shareholders shall be notified fifteen (15) days in advance of an extraordinary shareholders' meeting.

Those Shareholders who hold less than 1,000 shares of stock may be notified by means of posting a public announcement on the Market Observation Post System of Taiwan Stock Exchange Corporation.

The subject matters of the meeting shall be explicitly stated in notices and the public announcement. When permitted by the recipients, notification may be done through electronic means.

## **Article 6**

The Shareholders holding at least one percent (1%) of the total number of issued shares of the Company may submit written proposal for discussion in an annual general shareholders' meeting to the Company.

Before the closure of transferring stocks of an annual general shareholders' meeting, the Company shall publicly announce its readiness for acceptance of Shareholders' proposals, its place of acceptance and period of acceptance. The period of acceptance may not be shorter than ten (10) days.

The Shareholders' proposal shall be included in the agenda and stated in the subject of the notification when none of the following circumstances as reviewed by the Board applies:

1. The proposal is not a matter that may be resolved by shareholders' meeting.
2. The proposing Shareholder holds less than one percent (1%) of issued shares at the time of closure of transferring stocks prior to the shareholders' meeting.
3. The proposal was not submitted during the acceptance period publicly announced in the forgoing paragraph.
4. The proposing Shareholder has submitted more than one (1) proposal, or the proposal exceeds three hundred (300) words (including punctuations), or the proposal was not submitted in writing.

The Company shall notify the Shareholders who submitted proposals of the result of processing the proposal prior to the notification of the shareholders' meeting. With regard to the Shareholders' proposals not included in the meeting agenda, the Board shall state in the meeting handbook of the reason why such proposal was not included; No additional agenda will be included and there will not be any reference in the meeting minutes.

If the Shareholders' proposals included in the meeting agenda according to the Paragraph 3 are similar proposals or are similar to the proposal of the Board of Directors, the chairman shall group the proposals and apply Article 25 of these Rules.

## **Article 7**

The Shareholders who cannot attend a shareholders' meeting in person may issue a proxy printed by the Company stating ambit of authorization to a designated person to attend.

The Shareholders attend a shareholders meeting by proxy shall conduct pursuant to the Company Law and relevant regulations.

## **Article 8**

A meeting handbook shall be prepared when a shareholders' meeting is convened. The meeting handbook and other relevant information concerning the meeting shall be publicly announced.

Time and manner of the public announcement of the preceding paragraph, main provisions of the meeting handbook and other compliance requirements should be processed in accordance with the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies.

## **Article 9**

Chairman of the Board shall serve as chairman of a shareholders' meeting convened by the Board. If the Chairman has taken leave or cannot act for any reason, the Vice Chairman shall act in his stead. If the Chairman and Vice Chairman have both taken leave or cannot act for any reason, the Chairman shall designate one director to act on his behalf. If the Chairman has not designated any director to act as chairman, the directors shall elect one from themselves to serve as the meeting chairman.

When a shareholders' meeting has been convened by a person with convening powers other than the Board, the convener shall serve as the chairman. If there are two or more conveners, they shall elect one from themselves to serve as the chairman.

## **Article 10**

The Company may designate commissioned lawyers, certified public accountants, or other relevant personnel to present the shareholders' meeting in a non-voting capacity.

## **Article 11**

The Company shall make an audio or video recording of the entire proceedings of the shareholders' meeting, and shall preserve the recording for at least one (1) year.

The staffs relating to the affairs of the meeting (including security personnel) shall wear identification tags or badges.

## **Article 12**

Chairman of the meeting shall declare the meeting open when it's time for meeting. However, chairman of the meeting may declare postponement of the meeting provided that the Shareholders represent not more than half of total number of issued shares, but such postponements are limited to twice and the total postponement time shall not be more than one (1) hour. If twice postponements cannot still constitute a majority, but the Shareholders represent over one third of the total number of issued shares, a tentative resolution may be passed by a majority of those present pursuant to the Paragraph 1 of the Article 175 of the Company Law.

If the Shareholders have been up to more than half of total number of issued shares before the conclusion of that meeting, the chairman may make the proposition to resolve such tentative resolution by vote pursuant to Article 174 of the Company Law.

## **Article 13**

Where a shareholders' meeting is convened by the Board of Directors, its agenda shall be arranged by the Board of Directors. Moreover, the meeting shall proceed on the basis of arranged agenda and cannot be changed without the resolution at the shareholders' meeting.

Where a shareholders' meeting is called by a convener who is entitled to call such meeting other than the Board of Directors, the preceding Paragraph shall be mutatis mutandis applicable.

Unless it has been duly resolved, chairman of the meeting shall not declare the meeting adjourned at discretion before the agenda as set forth in the preceding two Paragraphs (including motions) have been concluded.

After the meeting is over, the Shareholders shall not elect another chairman to preside to continue the meeting at the same place or any other place. However, if the chairman announces adjournment in violation of the Rules, then based on the consent of more than half of the voting rights of attending Shareholders one person shall be elected as the chairman to continue the meeting.

## **Article 14**

Any Shareholder shall, before speaking at the meeting, present a speaking memo stating summary, shareholder A/C number (or attendance certificate number) and

A/C name. Speaking sequence shall be arranged by the chairman of the meeting.

In the event that a Shareholder only presents a speaking memo, but he/she doesn't speak at the meeting, it shall be deemed that he/she speaks nothing at the meeting. If the speaking contents are not same as those indicated on the speaking memo, only the former shall be considered.

When a Shareholder is speaking, other Shareholders may not interfere by speaking unless being authorized by chairman or the Shareholder who is speaking. Chairman shall stop such violation.

### **Article 15**

An attending Shareholder may question about report items on the agenda only after the chairman or person designated by the chairman has read or reported all report items. Each Shareholder may speak once concerning all report items and each instance may not exceed five (5) minutes.

When an attending Shareholder speaks with regard to the matters for recognition and discussion listed on the agenda, and to the motions made in the extraordinary motion session, each Shareholder shall speak no more than twice concerning each motion and each proposition and not exceeding five (5) minutes each time without obtaining the consent of the chairman.

Where a Shareholder speaks over the prescribed time limit or exceeds the bounds of the issue at hand, the chairman is entitled to stop such speaking. The chairman may direct disciplinary personnel (or security personnel) to take necessary measures to maintain order in the meeting place or ensure the smooth progress of the meeting if a speaker still refuses to stop talking or other interfering circumstances occur.

### **Article 16**

When government or an institutional shareholder sends two or more representatives to attend a shareholders' meeting, only one person may speak on each proposition.

### **Article 17**

After an attending Shareholder has spoken, the chairman may personally respond, or designate another relevant person to do so.

### **Article 18**

The chairman may announce an intermission at an appropriate time during a shareholders' meeting.

## **Article 19**

The chairman may announce an end of discussion and put the proposition to a vote when the chairman considers it has reached the extent for making a resolution.

## **Article 20**

Except where prescribed by laws and regulations or the Articles of Incorporation of the Company, a Shareholder shall have one voting right for each share.

## **Article 21**

Except where prescribed by laws and regulations or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority vote by attending Shareholders.

When a proposition is to be resolved, it may be passed by applause after the chairman finds that there is no objection; its effectiveness shall be same as resolved by voting. When any Shareholder expresses objection, the resolution shall be decided by voting.

## **Article 22**

When a proposition is put to a vote, the chairman shall direct two (2) ballot supervising personnel and several ballot counting personnel to perform duties. However, such ballot supervising personnel must be a Shareholder of the Company.

The result of voting shall be reported on the spot and recorded. Ballot supervising personnel shall seal the ballots, and shall turn them over to the Company for preservation after signing or affixing their seals on them.

## **Article 23**

A ballot shall be deemed invalid when all ballot supervising personnel concur that one of the following situations applies:

1. The ballot used was not prepared by the Board.
2. A blank ballot has been placed in the ballot box.
3. The ballot is illegible due to damage or indistinct writing.
4. The ballot has been altered or bears extraneous written text or symbols.
5. Both consent and oppose have been marked.

## **Article 24**

If a Shareholder disputes any matters such as the voting process, the ballot counting

method or the validity of ballots, the ballot supervising personnel shall state the Shareholder's account number, the number of voting rights, and the subject of the dispute, then sign or seal for preservation.

#### **Article 25**

If there shall be an amendment or alternative to one proposition, the chairman may combine the amendment or alternative into the original proposition and determine their orders for resolution. If one of the above shall be resolved, the others shall be considered as rejected, upon which no further resolution shall be required.

#### **Article 26**

The deliberation conducted at a shareholders' meeting shall be recorded in the meeting minutes. The contents and distribution of minutes shall be in accordance with Article 183 of the Company Law and the minutes of shareholders' meetings must be preserved as long as the Company is in existence.

#### **Article 27**

The chairman may ask disciplinary or security personnel to help maintain order at a meeting.

#### **Article 28**

The Rules shall take effect after been passed by the shareholders' meeting and the same procedure shall apply when they are revised.

#### **Article 29**

The Rules were duly established on February 20, 1998;

The 1st amendment was made on September 29, 1998;

The 2nd amendment was made on October 24, 2000;

The 3rd amendment was made on June 25, 2002;

The 4th amendment was made on June 9, 2006;

The 5th amendment was made on June 13, 2008;

The 6th amendment was made on June 15, 2011;

The 7th amendment was made on June 15, 2012.

# **CENTRAL REINSURANCE CORPORATION**

## **THE DIRECTORS ELECTION RULES**

### **Article 1**

Unless otherwise provided in the laws and the Articles of Incorporation of Central Reinsurance Corporation (hereinafter referred to as “the Company”), the directors of the Company shall be elected in accordance with the Rules specified herein.

### **Article 2**

The directors of the Company shall be elected at the shareholders' meeting from competent persons.

Where a government agency or a juristic person acts as a shareholder of the Company, it may be elected as a director of the Company provided that it shall designate a natural person as its proxy to exercise, on its behalf, the duties of a shareholder.

### **Article 3**

The term and required number of the directors shall be subject to the Articles of Incorporation of the Company.

The election of the directors shall adopt the candidate nomination system provided in the Article 192-1 of the Company Law. The shareholders shall elect the directors from the list of candidates announced by the Company. The related matters shall be processed according to the relevant regulations.

Independent and non-independent directors shall be elected at the same time and the votes shall be calculated separately with respective eligible numbers.

### **Article 4**

The election of the directors shall be executed by adopting a disclosed cumulative voting method, and the candidates who obtain more votes than others from the election will be deemed elected in turn.

When the number of votes obtained by two or more candidates is the same causing an excess of the required number of the directors to be elected, the case shall be determined by drawing lots, and the Chairman of the shareholders' meeting shall draw the lots for any candidate who is involved in the case but fails to attend the meeting.

### **Article 5**

A shareholder may appoint a proxy to attend a shareholders' meeting on his behalf for the election of directors. When a person who acts as the proxy for two or more shareholders, the number of voting power represented by him shall not

exceed 3% of the total number of issued shares of the Company, otherwise, the portion of excessive voting power shall not be counted.

#### **Article 6**

In the process of electing directors at a shareholders' meeting, each share represents a weighted number of voting rights equivalent to the number of directors to be elected; such voting rights may be exercised to collectively elect a single candidate or may be distributed among several candidates.

#### **Article 7**

The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting.

#### **Article 8**

If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a government agency or a juristic person, the name of the government agency or the juristic person shall be entered in the column for the candidate's account name in the ballot paper; if a candidate is a proxy of a government agency or a juristic person, the name of the government agency or the juristic person and the proxy's name shall be entered in the column for the candidate's account name in the ballot paper.

#### **Article 9**

Before the election begins, the Chairman shall appoint two (2) ballot supervising personnel and several ballot counting personnel to perform the relevant duties.

The ballot supervising personnel must be a shareholder of the Company.

#### **Article 10**

The duties of ballot supervising personnel are as follows:

1. Maintenance of order and prevention of interference in the voting.
2. Monitoring and auditing the ballot counting.
3. Confirmation of the invalid ballot.
4. Signature on ballot counting related documents.

#### **Article 11**

A ballot shall be deemed invalid when all ballot supervising personnel concur that

one of the following situations applies:

1. The ballot was not prepared by the board of directors of the Company;
2. Blurred writing that cannot be identified of the candidate's name;
3. The number of candidates filled in the ballot exceeding two (2) or more;
4. The ballot was erased or changed;
5. Other wordings or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number);
6. If the candidate whose name is entered in the ballot is a shareholder, and the candidate's account name and shareholder account number do not conform with those given in the shareholder register;
7. The candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match;
8. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual;
9. The ballot was not dropped into the ballot box designated by the Chairman.

#### **Article 12**

The ballots shall be calculated on site immediately after the end of the voting, and the results of the calculation shall be announced by the Chairman at the meeting.

#### **Article 13**

The Company shall issue notifications to the directors elected.

#### **Article 14**

Any matter not provided for by the Rules shall be subject to the Company Law, the Articles of Incorporation of the Company and related regulations.

#### **Article 15**

The Rules and any revision thereof shall become effective after approval at the shareholders' meeting.

#### **The History of “The Directors Election Rules”**

The Rules were duly established on February 20, 1998;

The 1st amendment was made on September 29, 1998;

The 2nd amendment was made on October 24, 2000;

The 3rd amendment was made on June 25, 2002;

The 4th amendment was made on June 15, 2007;

The 5th amendment was made on June 13, 2013;

The 6th amendment was made on June 11, 2014.

# CENTRAL REINSURANCE CORPORATION

## Procedures for Use of the Company's funds in Special Projects, Public Utilities and Social Welfare Enterprises

### **Article 1** Purpose

The Procedures are formulated to set up the procedures for use of the Company's fund in special projects, public utilities and social welfare enterprises, as well as to enhance the risk management and to ascertain public disclosure.

### **Article 2** Accordance

The Procedures are set forth in accordance with the "Regulations Governing Use of Insurer's Fund in Special Projects, Public Utilities and Social Welfare Enterprises" (the Regulations) published by the Financial Supervisory Commission (FSC).

### **Article 3** The Scope and Limitation of Investment in Special Projects

Use of the Company's funds for special projects, public utilities and social welfare enterprises shall be set forth in accordance with Article 2 to Article 5 of the Regulations.

Investments in funeral facilities in accordance with the Procedures shall be restricted in the facilities which their management agencies shall be evaluated by municipal or county (city) competent authority and receive a grade of above "B".

### **Article 4** The Limitation of Investment Amount

For risk control purpose, the investment amount of special projects, public utilities and social welfare enterprises shall be set forth in accordance with Article 7 of the Regulations.

### **Article 5** The Total Amount Invested in One and the Same Entity Exceeds Half of the Paid-In Capital or Half of the Total Outstanding Voting Shares of Such Invested Entity

If the total amount of the Company invested in one and the same invested entity exceeds half of the paid-in capital or half of the total outstanding voting shares of

such invested entity, the Subparagraph 1 to 4, Subparagraph 6 and Subparagraph 7 of Paragraph 1 of Article 8 of the Regulations shall be complied with.

The Company shall comply with Article 11 of the “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises” to disclose the audit report for the implementation of investment improvement plans listed in Subparagraph 4 of Paragraph 1 of Article 8 of the Regulations as well as the complete audit report of the invested entity listed in Article 12 to the public under the notes which shall be made under the information disclosure website. The aforesaid disclosure information shall be updated within ten days after submission to the board of directors.

**Article 6** Evaluation and Operating Procedures

The evaluation procedures of investing in special projects, public utilities and social welfare enterprises shall include the evaluation and operating matters listed in Paragraph 1 of Article 9 of the Regulations.

**Article 7** Risk-Based Capital Ratio

The Company engaging in the investment set forth in preceding Paragraph, the risk-based capital ratio in the most recent period should comply with the provisions of Paragraph 1 of Article 143-4 of the Insurance Act.

**Article 8** Circumstances that the Company May Invest in Special Projects or Public Utilities or Social Welfare Enterprises Directly without Getting the Approval of the Competent Authority

Except for the invested entity is a limited partnership enterprise, the board of directors may delegate the Chairman to decide the investments in special projects or public utilities or social welfare enterprises in accordance with the provisions of Paragraph 1 of Article 10 of the Regulations without going through the application procedure, and have the decisions subsequently submitted to and ratified by the board of directors meeting. Then the Company shall submit the documents set forth in Article 6 to the competent authority for subsequent review.

Except for the invested entity is a limited partnership enterprise, if the invested entity is the entity regulated by the “Act for Promotion of Private Participation in Infrastructure Projects” and the investment amount and conditions are met with the

Paragraph 3 of Article 10 of the Regulations, the Company can invest in such entity under the board of directors' resolution. Thereafter, the Company shall submit the documents set forth in Article 6 to the competent authority for subsequent review.

Except for the preceding two circumstances and where the Company has been approved by the competent authority to invest in a limited partnership enterprise in accordance with the provisions of Article 5 and Article 9 of the Regulations, and the Company's participation in cash capital increase of the invested enterprise does not exceed its original investment ratio, the Company shall submit the documents set forth in Article 6 to the board of directors for resolution and the competent authority for approval before investments.

### **Article 9** Segregation of Duties

The division of duties in regard to an investment in special project or public utilities or social welfare enterprises is as follows, and each unit's personnel may not serve concurrently in other units:

1. The Investment Department: To execute and control transactions, and to evaluate the counterparty and the performance of transactions.
2. The Accounting Department: To be responsible for the relative accounting treatment.
3. The Finance Department: To control the risk, and be responsible for the settlement and custody operation.

### **Article 10** The Determination Procedures of Trading Terms

With the exception of such development and construction projects, loans and investments which are in line with the government policies, the Investment Department shall conduct market assessment and analysis to elaborate the trading terms (decision and reference of price) with counterparties for investments in special project, public utilities and social welfare enterprises. Transactions shall be approved in accordance with the table governing the delegation of authority and responsibility and shall follow the provisions of the operating procedures of acquisition and disposal of assets.

### **Article 11** Internal Control System

When the Company invests in special project, public utilities and social welfare enterprises, the Investment Department shall submit investment or after loan management report every year to track the operation of invested entity and to analyze the return of investment based on duration, as a basis for performance evaluation.

**Article 12** Internal Audit System

If the total amount of the Company invested in one and the same invested entity exceeds half of the paid-in capital or half of the total outstanding voting shares of such invested entity, the internal audit unit shall conduct an on-site audit on the invested entity once every six months and shall track the invested entity on the violation or abnormality mentioned in the audit report or self-assessment report periodically. If any illegal activity or major violation is detected, the Company shall immediately inform the invested entity and prepare a tracking report. The completed audit and tracking report shall be submitted to the latest meeting of the board of directors.

The audit and tracking report prescribed in previous Paragraph shall be signed by the general manager, the general auditor, and the compliance officer of the headquarter of the Company. The content of the audit report shall at least include the provisions of Paragraph 2 of Article 8 of the Regulations.

**Article 13** Designated Senior Management Personnel Shall Report the Performance to the Board of Directors Periodically

Designated senior management personnel shall report the performance of special project, public utilities and social welfare enterprises to the board of directors every year.

**Article 14** Effectiveness

The Procedures, as well as the amendment thereof, shall be submitted to the Audit Committee for approval, the Board of Directors for resolution to become effective, and to the competent authority for reference and to shareholders' meeting.

**The History of "Procedures for Use of the Company's funds in Special Projects, Public**

**Utilities and Social Welfare Enterprises”**

1. The Procedures was made on April 23, 2008.
2. The 1st amendment was made on June 13, 2008.
3. The 2nd amendment was made on March 23, 2011.
4. The 3rd amendment was made on March 25, 2013.
5. The 4th amendment was made on August 20, 2014.
6. The 5th amendment was made on May 27, 2015.
7. The 6th amendment was made on April 27, 2016.
8. The 7th amendment was made on October 27, 2016.

# **CENTRAL REINSURANCE CORPORATION**

## **PROCEDURES FOR ACQUIRING AND DISPOSING OF ASSETS**

### **Article 1**     Accordance

The Procedures is set forth in accordance with the provisions of Paragraph 1 of Article 6 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

### **Article 2**     The Scope of Assets

The term “assets” as used in the Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, and rights to use land) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Acquisition and disposal of derivatives shall be in compliance with “Procedures for Transaction of Financial Derivatives” of the Company.

### **Article 3**     Definitions

Terms used in the Procedures are defined as below:

1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and

Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the "Company Act".

2. Related party or subsidiary: As defined in the "Regulations Governing Preparation of Financial and Operational Reports by Insurance Institutions".
3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
4. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
5. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
6. Total assets: Refers to the total assets stated in the most recent Company's financial report prepared under the "Regulations Governing Preparation of Financial and Operational Reports by Insurance Institutions".

#### **Article 4** Operating Procedures

1. The degree of authority delegated and the levels to which authority is delegated: shall be executed in accordance with the Company's table of governing the delegation of authority and responsibility.
2. Execution Unit and transaction process:
  - (1) With respect to the acquisition or disposal of securities, the execution unit shall analyze and forecast the future outlook based on the market condition, so as to formulate trading terms and get the approval of Authorized level in accordance with the Company's table governing the delegation of authority and responsibility.

Acquisition and disposal of securities shall be in compliance with "Procedures for Governing Various Applications of Funds" of the Company.

- (2) With respect to the acquisition or disposal of real property, the execution unit shall formulate trading terms and get the approval of the Chairman and submit a proposal for discussion by the board of directors. But for the reason of timeliness, the transactions can be executed in respect of the approval of Chairman and subsequently have the decisions submitted to and ratified by the board of directors.
- (3) With respect to the acquisition or disposal of equipment and other assets, the execution unit shall conduct analysis and appraisal of the transaction, and formulate trading terms and get approval in accordance with the Company's table governing the delegation of authority and responsibility.

#### **Article 5** Appraisal Procedures

The acquisition or disposal of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Under special circumstances it is necessary to take a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be approved by the board of directors in advance, and the above procedure shall also be followed once the terms and conditions of the transaction are changed in the future.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant (CPA) shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the ROC (hereinafter referred to as "ARDF") and render a concrete opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period, certified or reviewed by a CPA for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by the regulations of the Financial Supervisory Commission (hereinafter referred to as "FSC").

Except for transactions with government agencies, the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, the Company shall obtain a CPA's opinion on the reasonableness of the transaction price prior to the date of occurrence of the event; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

The calculation of the transaction amounts of preceding provisions shall be based on Paragraph 2 of Article 6 and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Where the Company acquires or disposes of assets through court auction procedures, the certified documentation issued by the court may be substituted for appraisal reports or CPA opinion.

## **Article 6** Items and Standards of Public Disclosure

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in "Procedures for Transaction of Financial Derivatives" of the Company.
4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of government bonds.
  - (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.
  - (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
  - (4) Where the type of asset acquired or disposed of is business equipment/machinery for business use, the trading counterparty is not a related party and the transaction amount is less than NT\$500 million.
  - (5) Where Real Property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.

The transaction amount of the preceding paragraph shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in Paragraph 2 refers to one year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives transactions engaged in up to the end of the preceding month and file the information in the prescribed format on the information reporting website designated by the FSC by the 10th day of each month.

In the event of the items which are required for public announcement contain error or omission and shall be rectified, all the items shall be again publicly announced and reported in entirety.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the regulations, a public report of relevant information shall be filed on the website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Amendment, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed before the scheduled date set forth in the contract.
3. The contents of the originally publicly announced and reported information have changed.

The Company acquiring or disposing of assets shall retain all relevant contracts, meeting minutes, memorandum books, appraisal reports and the opinions provided by CPA, attorney, and securities underwriter in the Company headquarters for 5 years at least except where another act provides otherwise.

**Article 7** The Limits of Investment Amount

The limits of investment amount shall be followed as below:

1. The total investment amount of real property shall be in accordance with the provisions of Article 146-2 of the “Insurance Act”.
2. The total investment amount of securities and limits of individual securities shall be in accordance with the provisions of Article 146-1, Article 146-5 and Article 146-6 of the “Insurance Act”.
3. The total investment amount of foreign investment shall be in accordance with the provisions of Article 10 of the “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises”.

**Article 8** The Related Party Shall not be The Providers of Appraisal Reports or Professional Opinions

Professional appraisers and their officers, CPA, attorneys, and securities underwriters that provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

**Article 9** Procedures for Acquiring or Disposing of Assets with Related Parties

The Company acquiring or disposing of assets from or to a related party shall follow the relevant decision making process and evaluate the reasonableness of trading terms in accordance with Article 4, 5, 10, 11 and this Article. Besides, the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall obtain an appraisal report from a professional appraiser or a CPA's opinion.

The transaction amount referred in the preceding paragraph shall be calculated in accordance with Paragraph 4 of Article 5.

When judging whether the trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship shall be considered.

When the Company intends to acquire or dispose of real property or other assets from or to a related party, except for trading of government bonds, bonds under repurchase or reverse repurchase agreements, or subscription or redemption of domestic money market funds, the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets or NT\$300 million or more, the Company may not enter into a contract or make any payment until the following matters have been approved by more than half of all audit committee

members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Paragraphs 2 and 3 of Article 15:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 and Article 11.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with Paragraph 1.
7. Restrictive covenants and other important stipulations associated with the transaction.

When a matter is submitted to the board of directors for discussion in accordance with the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

The transaction amounts referred in the Paragraph 4 shall be calculated in accordance with Paragraph 2 of Article 6 and "within the preceding year" as used herein refers to one year preceding the date of occurrence of the current transaction. Transactions that have been approved by audit committee and submitted to the board of directors for a resolution need not be counted toward the transaction amount.

#### **Article 10** Evaluation Methods of the Transaction Costs for Acquiring Real Estate from a Related Party

Acquiring a real estate from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

1. Based on the price of transaction with the related party plus necessary interest on funding and other costs to be duly borne by the buyer. The necessary interest on funding shall be calculated based on the weighted average of the interest rate on borrowing during the year the Company purchases the property. However such interest rate shall not exceed the maximum lending rate for non-financial institutions published by the competent authority.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and buildings thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the buildings may be separately appraised in accordance with either of the means listed in the preceding paragraph.

When acquiring real estate from a related party, the Company shall appraise the cost of the real estate in accordance with Paragraph 1 and Paragraph 2 above, in the meantime shall also engage a CPA to review the appraisal and render an opinion.

Where the Company acquires real estate from a related party under any of the following circumstances, the acquisition shall be conducted in accordance with Paragraph 4 to 6 of Article 9 and the preceding three paragraphs do not apply:

1. The related party acquired the real estate through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on self-owned land or on rented land.

**Article 11** Procedure for the Respective Results of Evaluations Are Less Than the Transaction Price with Related Parties

Where the Company acquires the real estate from the related party and the results of appraisals conducted in accordance with Article 10 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of

the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.

2. Independent directors of audit committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to Subparagraph 1 and Subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company acquires real estate from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was a non-arm's-length transaction.

Where the following circumstances exist, objective evidence has been submitted and concrete opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the methods in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

## **Article 12** Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors for resolution, shall engage a CPA, attorney, or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the opinions to the board of directors for deliberation and passage.

The Company participating in a merger, demerger or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders notification of the shareholders meeting for reference in

deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting without delay.

Unless otherwise provided by another act or granted in advance by the FSC for extraordinary circumstances, the companies participating in any merger, demerger or acquisition shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition.

Unless otherwise provided by another act or granted in advance by the FSC for extraordinary circumstances, the companies participating in a transfer of shares shall convene a board of directors meeting and shareholders meeting on the day of the transaction.

When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel: Including the job titles, names, and national ID numbers (or passport numbers in case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including plans for mergers, demergers, acquisitions, and transfer of shares, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meeting.

When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days from the date of passage of a resolution by the board of

directors, submit the information required in Subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation. The information shall be disclosed in the prescribed format and via the Internet-based information system.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such companies in accordance with the provisions of Paragraphs 6 and 7.

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

When participating in a merger, demerger, acquisition or transfer of shares, the share exchange ratio and acquisition price shall not be arbitrarily altered, except for the below-listed circumstances which shall be stipulated in the contract of merger, demerger, acquisition or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, which affects the Company's financial and business operations.
3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares, buys back treasury stock by law.
5. Any change in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.

When participating in a merger, demerger, acquisition or transfer of shares, the contract thereof shall specify the rights and obligations of any participating companies, as well as the following matters:

1. Handling of breach of contract.

2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. Measures of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and anticipated completion date.
6. According to the law the scheduled date for convening a shareholders meeting and relevant procedures if the plan exceeds the deadline without completion.

After the information about merger, demerger, acquisition or transfer of shares have been disclosed, if any of the participating companies intends to carry out a further merger, demerger, acquisition or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer, except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew. Where any of the companies participating in the merger, demerger, acquisition or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Paragraphs 4 to 9 and Paragraph 12.

### **Article 13** Penal Provisions

The personnel responsible for acquisition or disposal of assets violates the Procedures shall be penalized according to the relevant personnel management regulations of the Company.

### **Article 14** Unmentioned Matters

Any other matter or event not stipulated in the Procedures shall be managed in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and related regulations.

## **Article 15** Additional Provisions

Any amendment of the Procedures or any transaction of major assets shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and this resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in Paragraph 1 and "all directors" in Paragraph 2 shall be counted as the actual number of persons currently holding those positions.

When the proposal of the Procedures amendment or transaction for the acquisition or disposal of assets are submitted to the board of directors for discussion, the board of directors shall take into full consideration for each of independent director's opinion. If an independent director raises objections or expresses reservations to the amendment or the transaction, it shall be recorded in the minutes of the board of directors meeting.

## **Article 16** Effectiveness

Upon a resolution passed by the board of directors, the Procedures shall be given to each supervisor and shall become effective after ratification by the shareholders meeting.

Any amendment of The Procedures shall be approved by the audit committee, the board of directors, and the shareholders meeting thereafter.

### **The History of "Procedures for ACQUIRING AND DISPOSING OF ASSETS"**

1. The Procedures was made on October 14, 2003.
2. The 1st amendment was made on June 3, 2005.
3. The 2nd amendment was made on June 15, 2007.
4. The 3rd amendment was made on June 15, 2011.
5. The 4th amendment was made on June 15, 2012.

6. The 5th amendment was made on June 13, 2013.
7. The 6th amendment was made on June 11, 2014.

# **CENTRAL REINSURANCE CORPORATION**

## **Procedures for Transaction of Financial Derivatives**

### **Article 1** Accordance

The Procedures are set forth in accordance with the provisions of Article 11 of the “Regulations Governing Derivatives Transactions Conducted by Insurance Companies” and Paragraph 3 of Article 7 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

### **Article 2** The Types of Derivatives That May be Traded

The term “financial derivatives” as used herein shall mean any forward contracts, option contracts, futures contracts, leveraged margin trading contracts, swap contracts, and the combination thereof with a worth derived from traditional financial market tools, including currency, bond, stock and foreign exchange.

“Transactions of structured products” mean transactions of portfolios combining fixed-income instruments and derivatives issued or guaranteed by financial institutions.

The Company may engage in the above mentioned derivatives transactions for hedging purpose, structured products and any other tools approved by the competent authority. The Company may not engage in derivatives transactions for anticipated investment positions and enhancing the investment efficiency.

### **Article 3** Operating and Hedging Strategies

The operating and hedging strategies for financial derivatives transactions are as follows:

1. To set the total amount of derivatives contracts that may be traded.
2. To conduct performance evaluation of financial derivatives periodically.
3. To strictly evaluate the credit situation and professional competence of counterparties.
4. All the transactions and relevant operation shall be in accordance with the “Insurance Act” and the relevant regulations.

**Article 4** Authority Limits and Responsible Management Level

1. Derivatives transactions shall be guided in accordance with the Company's table governing the delegation of authority and responsibility
2. The board of directors authorizes the Chairman to determine the total amount of financial derivatives transactions.

**Article 5** Segregation of Duties

Division functions in regard to the financial derivatives transactions made by the Company shall be as follows:

1. Monitoring Division:

- (1) Board of Directors: Designate senior management personnel to pay continuous attention to monitoring and controlling financial derivatives trading risk. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (2) Senior management personnel authorized by the board of directors: Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors, where an independent director shall be present at the meeting and express an opinion.
- (3) The Audit Division: Periodically audit the compliance of the Procedures for Derivatives Transactions as well as of the relevant laws and regulations.

2. Operating Divisions

- (1) The Investment Department: conduct financial derivatives transactions.
- (2) The Finance Department: conduct settlement and confirmation of financial derivatives transactions, and periodical evaluation as well as risk assessment, monitoring and control.
- (3) The Accounting Department: conduct accounting and book keeping procedure.

**Article 6** Gross Contract Amount and The Maximum Loss Limit

Where the derivatives are held for hedging purpose, the aggregate nominal value of total and individual contracts thereof shall not exceed the individual and aggregate

book value of the hedged items. The maximum evaluation loss limit of derivatives shall not exceed the aggregate nominal value of the individual and total undue hedged items.

If the evaluation loss exceeds the preceding limit, the Investment Department shall submit senior management personnel a report with reasonable analysis, suggestion, and improvement measures.

Structured products fulfilled with the following conditions are allowed to be invested and the aggregate amount shall not exceed 10% of the Company's funds:

1. The final maturity date shall be no longer than 10 years;
2. The principal-guaranteed rate on the maturity date shall be 90% equivalent or above provided that the final maturity date is no longer than 5 years, or the aforesaid principal-guaranteed rate shall be 100%;
3. The operational risk relating to the underlying derivatives instruments shall be borne by the issuing institutions.

#### **Article 7** Counterparties and Each Transaction Limits

Derivatives transactions counterparties shall meet the following requirements:

1. Domestic financial institutions with their risk-based capital ratio, ratio of regulatory capital to risk-weighted assets, regulatory capital adequacy ratio, or the percentage accounted for by adjusted net capital in the total amount of customer margins required for the open positions of futures traders meeting regulatory criteria.
2. Foreign financial institutions with BBB+ equivalent or above credit rating suggested by foreign credit rating agencies in the immediately preceding year.

Where conducting derivatives transactions in the OTC market, different transaction limits are designated according to counterparty's credit positions as follows:

1. The transaction maximum limit is 200 million US dollars for the counterparty with twAAA credit rating suggested by Taiwan Ratings Corp. or a AA- equivalent or higher credit rating suggested by internationally renowned rating agencies.
2. The transaction maximum limit is 100 million US dollars for the counterparty with twAA- equivalent or higher credit rating suggested by Taiwan Ratings Corp. or a A- equivalent or higher credit rating suggested by internationally renowned rating agencies.
3. The transaction maximum limit is 50 million US dollars for the counterparty with

twA+ equivalent or higher credit rating suggested by Taiwan Ratings Corp or a BBB+ equivalent or higher credit rating suggested by internationally renowned rating agencies.

4. The Company shall not deal with the counterparties with no credit rating or credit rating below twA+ suggested by Taiwan Ratings Corp or below BBB+ credit rating suggested by internationally renowned rating agencies.

The issuing or guarantee institutions of structure products shall be the domestic and foreign financial institutions meeting the requirements in this article paragraph 1 and the trading limits for each counterparty shall follow the regulations in this article paragraph 2.

### **Article 8** Transaction Procedure and Department in Charge

The operation procedures of Investment Department shall be as follows:

1. To confirm the transaction position.
2. To analyze and determine the relevant trend.
3. To determine the hedge method based on the specific investment target, counterparties, targeted price range and trading strategies.
4. To obtain the approval of transactions.
5. To execute transactions:
  - (1) Counterparty: Discreetly evaluate the counterparty's management performance, financial status and professional competence and obtain the Chairman's approval in advance.
  - (2) Dealers: Dealers executing financial derivatives transactions shall get the Chairman's approval in advance. Counterparties shall be informed that the persons who are not in the Company's Letter of Authorization are prohibited from trading.

The operation procedures of Finance Department shall be as follows:

- (1) Confirmation: The confirmation personnel shall confirm with the counterparty whether the transaction terms are in accordance with deal notice and obtain relevant supervisory ratification.
- (2) Settlement: Once the trade is confirmed correctly, the settlement personnel shall perform the delivery on settlement date.
- (3) Risk management: the personnel responsible for the risk management is in charge of identification, assessment, monitoring and reporting of transaction

risks.

**Article 9** Performance Evaluation

The performance of derivatives transactions shall be evaluated based on the Company's hedging strategies.

**Article 10** Public Disclosure

The Accounting Department shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission(hereinafter referred to as "FSC") by the 10th day of each month.

When losses from derivatives trading reaching the limits set out in the Procedures, the Finance Department shall publicly announce and report the relevant information on the FSC's designated website within 2 days commencing immediately from the date of occurrence of the event.

**Article 11** Accounting system

The Accounting system of financial derivatives transactions shall be set forth in accordance with "Rules for the Preparation of Financial Reports by Insurance Institutions" and the "Generally Accepted Accounting Principles".

**Article 12** Risk Management System

The risk identification, assessment, response, monitoring and reporting of financial derivatives transactions shall be done according to the Company's "Operation Guidelines for Investment Risk Management". These risks as below shall be noted:

1. Credit Risk: Credit risk is controlled by restricting the counterparties principally to those who have banking relationship with the Company or are internationally renowned and can provide professional information.
2. Market Risk: Market risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled.
3. Liquidity Risk: Liquidity risk shall be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.

The financial derivatives transactions shall be restricted to standardized products that are listed in internationally notable exchanges or traded over the banks' counter.

4. Operational Risk: Authority limits and operating procedures shall be stipulated explicitly to avoid operational risk.
5. Legal Risk: Any legal documents, except standard contracts of banks, shall first be reviewed by legal personnel or legal counsel and be executed after going through administrative approval procedures.
6. System Risk: The Company shall execute the stop loss mechanism of financial derivatives transactions.
7. Cash Flow Risk: The Company shall maintain adequate level of cash to meet the cash settlement requirement in time.

### **Article 13** Risk Control Measures and Internal Control System

Risk control measures and internal control system taken by the Company for financial derivatives transactions shall be as follows:

1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
2. Evaluation method and frequency: Finance Department shall evaluate the financial derivatives positions at least twice per month. The evaluation reports shall be submitted to senior management personnel authorized by the board of directors and the president. The evaluating method shall be in accordance with "Rules for the Preparation of Financial Reports by Insurance Institutions" and the "Generally Accepted Accounting Principles".
3. With regard to risk identification, assessment, monitoring and control, legality of derivatives transactions, Finance Department shall periodically submit a performance report to the senior management personnel authorized by the board of directors.
4. Finance Department shall report to the soonest meeting of the board of directors including total and net amount of contracts with the obligations which have not become due as well as unrealized gain or loss evaluated in accordance with the fair value, compliance with the Procedures, hedging and risk assessment reports; and report to the Risk Management Committee at least once every six months.
5. Finance Department shall establish a log book in which details of the types and

amounts of financial derivatives trading engaged in, board of directors' approval dates, and the matters required to be carefully evaluated and retain it at least for 5 years for reference.

6. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, the senior management personnel authorized by the board of directors shall adopt appropriate measures and report to the board of directors. Independent directors shall be present at the meeting and express an opinion.

#### **Article 14** Internal Audit System

The Audit Division shall audit whether all derivatives transactions are in compliance with the Procedures at least once every quarter ;and shall perform the following duties and prepare a quarterly audit report which shall be passed by the board of directors and submitted to the competent authority for reference:

1. To audit the compliance of the processing procedure for Derivatives Transactions as well as the relevant laws and regulations;
2. To audit the internal control measures, including the functions of internal checks and cross reference;
3. To assess the independence of the risk management operations and implementation of the risk limitation measures;
4. To verify the reliability of the sources of transaction documents and information; and
5. To audit the hedging effectiveness of the hedging derivatives transactions.

The deficiencies mentioned in the audit report shall be continually followed up until improved. If any severe violation is found, a written notice shall be submitted to the Audit Committee as well as the senior management personnel authorized by the board of directors.

#### **Article 15** Supplementary Provisions

Any amendment of the Procedures and any transaction involving major derivatives shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution

If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the Procedures and the transaction involving

major derivatives may be implemented if approved by more than two thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors meeting.

The terms "all Audit Committee members" in paragraph 1 and "all directors" in paragraph 2 shall be counted as the actual number of persons currently holding those positions.

When the Procedures and a financial derivatives transaction are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

#### **Article 16** Outstanding Issues

Any matter or event not mentioned in the context of the Procedures shall be in accordance with "Regulations Governing Derivatives Transactions Conducted by Insurance Companies" and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

#### **Article 17** Effectiveness

Any amendment of the Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders' Meeting thereafter.

#### **The History of "Procedures for Transaction of Financial Derivatives"**

1. The Procedures was made on October 15, 2002.
2. The 1st amendment was made on June 15, 2007.
3. The 2nd amendment was made on June 15, 2011.
4. The 3rd amendment was made on June 13, 2013.
5. The 4th amendment was made on June 11, 2014.
6. The 5th amendment was made on May 27, 2015.

# CENTRAL REINSURANCE CORPORATION

## The Shares-holding Table of Directors

April 2, 2017

Title	Name	Shares
Chairman	Evergreen International Corp. Representative : Yang, Cheng-Tui	197,541,037
Vice Chairman	Evergreen International Corp. Representative : Chang, Kuo-Cheng	
Director	Evergreen International Corp. Representative : Tai, Jiin-Chyuan	
Director	Evergreen International Corp. Representative : Ku Lai, Mei-Hsueh	
Director	Ministry of Finance, R.O.C. Representative : Lee, Yi-Fen	123,266,689
Director	Ministry of Finance, R.O.C. Representative : Chen, Kuan-Pao	
Independent Director	Yau, Sea-Wain	0
Independent Director	Tsen, Ron-Syou	
Independent Director	Chou, Yu-Cheng	
Total		320,807,726
the minimum of shares held by Directors according to law		17,992,800