

Mercuries Life Insurance Co., Ltd.

2021 Annual General Shareholders' Meeting

Meeting Minutes

Time : 09:00 AM, 20 August 2021 (Friday)

Place : B2, No. 2, Lane 150, Sec. 5, Sin-Yi Rd., Taipei City Taipei City
and attendance by video conferencing

Number of shares represented by shareholders present: Total shares represented by shareholders present in person or by proxy were 1,629,867,155 shares (including 1,588,414,433 shares represented by shareholders participating in the meeting through electronic means). Number of non-voting rights shares was 0. The number of shares present accounted for 65.14% of the total 2,501,971,471 common shares entitled to attend.

Attendance list of the Board of Directors:

Shiang-Jeh Chen, Chairman, Tsui-Chun Wong, Vice Chairman, Director Chih-Hua Wang, Director Chin-Hsin Hsu, Director Chun-Nong Cheng, Independent Director Henry Yang, Independent Director Justin Tsai, Independent Director Wei-Yu Kuo

Attendance list of the Audit Committee:

Independent Director Henry Yang, Chairman, Independent Director Justin Tsai(Chairman of the Remuneration Committee, Chairman of the Corporate Governance and Nominating Committee), Independent Director Wei-Yu Kuo(Chairman of the Risk Management Committee)

In Attendance : President Hung-Sheng Chen, Chief Financial Officer Yu-Fang Tseng, Attorney-at-Law Kung-Chuan Lee, Chief Investment Officer Ta-Chun Lin, Chief Compliance Officer Shu-Fang Hsieh, Vice President Rui-Yu Liu, Accounting Supervisor Woody S.M. Fang, KPMG CPA Pao-Lien Chou and Chiu-Hua Hsieh

Chairman : Shiang-Jeh Chen

Recorder : Yu-Ping Tien

I. Announcement of the session : The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Chairman addressing the session : (Omitted)

III. Issues to be reported

Issue I (Proposed by the Board of Directors)

Subject: Business Report of the 2020

Descriptions: For the business report of the Company in the 2020 fiscal year, please refer to Attachment 1.

Issue II (Proposed by the Audit Committee)

Subject: The Audit Committee's audit report is submitted for review

Description: For the audit report of the 2020 financial statements conducted by the Audit Committee, please refer to Attachment 2.

Issue III (Proposed by the Board of Directors)

Subject: Report on 2020 remuneration to employees and directors.

Descriptions: According to Article 22 of The Company's Articles of Incorporation, the company's annual profits shall allocate a considerable proportion of the amount as remuneration. The Company's Board of Directors resolved to pass the motion for allocation of 2020 remuneration to employees and directors. Specifically, the remuneration to directors was paid in cash, totaling NT\$7,060,445, and the remuneration to employees, totaling NT\$8,779,314.

IV. Issues to be acknowledged

Issue I (Proposed by the Board of Directors)

Subject: Acknowledgement of the Business Report and Financial Report in the 2020 Year.

Descriptions:

- I. The Company's 2020 business report and financial statements: The balance sheet, comprehensive income statement, statement of change in equity and statement of cash flow have been audited and certified by Bao-Lian Chou, CPA and Chiu-Hua Hsieh, CPA of KPMG Taiwan and, together with the business report, already submitted to the Audit Committee for audit, to which the CPAs issued an independent auditor's report. The report was already approved by the Company's Board of Directors and proposed for acknowledgment pursuant to laws.
- II. The Company's 2020 business report and independent auditor's report & financial statements are attached as Attachment 1 and Attachment 3.

Voting Results: Shares represented at the time of voting: 1,629,867,155 (including 1,588,414,433 votes casted through electronic means); voting in favor: 1,591,401,874 votes (including 1,552,431,820 votes casted through electronic means); voting against: 794,840 votes (including 794,840 votes casted through electronic means); votes invalid: 0

votes; votes abstained: 37,670,441 votes (including 35,187,773 votes casted through electronic means). The votes in favor of the motion accounted for 97.63% of the total votes and favorable action has been taken in favor of the motion.

Issue II (Proposed by the Board of Directors)

Subject: Acknowledgement of the proposal for 2020 Deficit Compensation.

Descriptions:

- I. The Company's unappropriated retained earnings at the beginning of 2020 was NT\$0. As the net effect of subsequent measure of first-time adoption on investment property at fair value totaled NT\$2,416,650,381 was added, the changes in actuarial gain/loss in current term totaled NT\$131,703,059 was deducted, plus the audited net income in 2020, NT\$1,444,538,323 and less the gain/loss on disposal of FVOCI, NT\$13,780,645, the available for appropriation earnings totaled NT\$3,715,705,000. Upon provision of the legal reserve, NT\$715,045,171 and special reserve, NT\$11,316,536,683 from the available for appropriation earnings, the deficit to be compensated in the current period totaled NT\$8,315,876,854.
- II. In accordance with the Company's Articles of Incorporation and applicable laws, the Company has the legal reserve, NT\$715,045,171, and the special reserve, NT\$11,316,536,683. The current deficit to be compensated totaled NT\$8,315,876,854, which was compensated by the special reserve, NT\$3,805,449,468 and legal reserve NT\$4,510,427,386. After that, there is no more carryforward loss.
- III. The Company's 2020 Deficit Compensation Statement is shown as below.

Mercuries Life Insurance Co., Ltd.

Deficit Compensation Statement

2020

Unit: NT\$

Items	Amount
Unappropriated retained earnings at the beginning of the period	0
Add (Less): Net effect of subsequent measure of first-time adoption on investment property at fair value	2,416,650,381
Add (Less): Net effect transition to IFRS	0
Add (Less): Current changes in actuarial-gain/loss	(131,703,059)
Net income in current term	1,444,538,323
Add (Less): Gain/loss on disposal of FVOCI	(13,780,645)
Available for appropriation earnings	3,715,705,000

Add/(Less):	
Appropriation as legal reserve	(715,045,171)
Appropriated as special reserve (additional appropriation of reserve for change in perils)	(247,570,673)
Appropriated as special reserve (reserve for major accidents and change in peril in the current term)	(140,479,145)
Appropriated as special reserve (additional appropriation of 10% as reserve for change in foreign exchange price)	(357,522,586)
Appropriated as special reserve (net effect of subsequent measure of first-time adoption on investment property at fair value)	(2,416,650,381)
Appropriated as special reserve (net after tax of subsequent changes due to the cumulative value-added benefits on investment property at fair value)	(53,021,275)
Appropriated as special reserve from gains on disposal of debt instruments	(8,101,292,623)
Current deficit to be compensated	(8,315,876,854)
Add/(Less): Special reserve to compensate deficit	3,805,449,468
Add/(Less): Legal reserve to compensate deficit	4,510,427,386
Deficit to be compensated-at the end of the period	0

Shareholders' account No. 82646 expressed his concern regarding investment performance, dividend distribution and possibility of the Company joining a financial holding company .

The above concern of the shareholder has been explained by Chairman or the relevant person designated by Chairman.

Voting Results: Shares represented at the time of voting: 1,629,867,155 (including 1,588,414,433 votes casted through electronic means); voting in favor: 1,593,275,891 votes (including 1,554,305,837 votes casted through electronic means); voting against: 1,715,172 votes (including 1,715,172 votes casted through electronic means); votes invalid:0 votes ; votes abstained: 34,876,092 votes (including 32,393,424 votes casted through electronic means). The votes in favor of the motion accounted for 97.75% of the total votes and favorable action has been taken in favor of the motion.

V. Issues to be discussed

Issue I (Proposed by the Board of Directors)

Subject: Discussion of proposal to amend the "Procedures for Election of Directors".

Descriptions:

In line with the announcement Tai-Zheng-Zhi-Li-Zi-Di 1090009468 of the TWSE on 2020.6.3, the reference example for revising the "Procedures for Election of Directors" was issued to amend the "Procedures for Election of Directors" of the company. This amendment is mainly to simplify the

procedures for nominating directors, and in line with the fact that listed companies have fully adopted the nomination system since 2021, which means shareholders can know the names, academic experience and other information of candidates from the list of candidates before the shareholders' meeting, and there is no need to use the shareholder's account number or ID number as the way to identify candidates, so we adjusted the relevant contents. Please refer to Attachment IV for the comparison table of amendments.

Voting Results: Shares represented at the time of voting: 1,629,867,155 (including 1,588,414,433 votes casted through electronic means); voting in favor: 1,579,442,812 votes (including 1,540,472,758 votes casted through electronic means); voting against: 1,038,983 votes (including 1,038,983 votes casted through electronic means); votes invalid: 0 votes; votes abstained: 49,385,360 votes (including 46,902,692 votes casted through electronic means). The votes in favor of the motion accounted for 96.90% of the total votes and favorable action has been taken in favor of the motion.

Issue II (Proposed by the Board of Directors)

Subject: Discussion of proposal to amend the "Rules of Procedure of Shareholders Meeting".

Descriptions:

In line with the announcement Tai-Zheng-Zhi-Li -Zi-Di 1090009468 and 110001446 of the TWSE on 2020.6.3 and 2021.1.28, the reference example for revising the "Rules of Procedure for Shareholders meeting " was issued to amend the "Rules of Procedure for Shareholders meeting" of the company. In order to improve corporate governance and protect the rights and interests of shareholders, relevant laws and regulations that cannot be proposed by way of extemporary motions are added; Proposal to standardize the proposal of shareholders to urge the company to promote public interest or fulfill its social responsibility is limited to one; The chairman calls to order and announce the relevant information such as the number of non-voting rights and the number of shares present. In the election of directors, the results of the election shall be announced on the spot, including the list of unelected directors and the number of voting rights they have obtained. Therefore, relevant contents should be

adjusted, please refer to Attachment V for the comparison table of amendments.

Voting Results: Shares represented at the time of voting: 1,629,867,155 (including 1,588,414,433 votes casted through electronic means); voting in favor: 1,579,596,056 votes (including 1,540,062,602 votes casted through electronic means); voting against: 920,749 votes (including 920,749 votes casted through electronic means); votes invalid:0 votes ; votes abstained: 49,350,350 votes (including 46,867,682 votes casted through electronic means). The votes in favor of the motion accounted for 96.91% of the total votes and favorable action has been taken in favor of the motion.

Issue III (Proposed by the Board of Directors)

Subject: Discussion of proposal to amend the "Procedures for Engaging in Derivatives Transactions".

Descriptions:

1. In accordance with the article 14 "Administrative Measures for the Insurance Industry Engaging in Derivatives Transactions", the company should revise the "Procedures for Engaging in Derivatives Transactions" regularly.
2. The key points of this revision are as follows:
 - (1) To add the definition of "high correlation" in accordance with Article 2 of the Measures for the Administration of Derivatives Transactions in the Insurance Industry.
 - (2) Check the meaning and laws before and after the regulations, adjust the wording of item 1 of Article 1 and correct the content misplaced in Article 4-1-3-4, and revise the content in accordance with the principles of the rules and regulations of the company.
 - (3) In accordance with Item 2 of Article 2 of the Standards for the Assets Acquired or Disposed of by Public Companies, the following relevant amendments to section 4 of Chapter II in these standards concerning the application of derivatives trading norms are explicitly excluded:
 - a. Amendments of the source of law of this procedure.
 - b. Deletion of the establishment of the memorandum book.
 - c. Deletion of the weekly and monthly evaluation frequency of positions held by financial derivatives transactions.
 - d. Deletion of the provisions of Article 9 concerning the transaction of

financial derivatives conducted by subsidiaries.

e. Deletion of the provisions of approval procedure in the last paragraph of item 1 and items 2 - 4 in the original article 11.

3. Please refer to Attachment VI for the comparison table of amendments.

Voting Results: Shares represented at the time of voting: 1,629,867,155 (including 1,588,414,433 votes casted through electronic means); voting in favor: 1,579,525,914 votes (including 1,540,555,860 votes casted through electronic means); voting against: 961,216 votes (including 961,216 votes casted through electronic means); votes invalid: 0 votes; votes abstained: 49,380,025 votes (including 46,897,357 votes casted through electronic means). The votes in favor of the motion accounted for 96.91% of the total votes and favorable action has been taken in favor of the motion.

Shareholders' account No. 126862 expressed his concern regarding the Company's phone operator.

The above concern of the shareholder has been explained by Chairman.

Issue IV (Proposed by the Board of Directors)

Subject: Discussion of proposal of Company's capital increase through capitalization of capital surplus.

Descriptions:

1. In order to strengthen the financial structure, it is proposed to allocate NT \$375,295,730 from the capital surplus (stock premium), with a par value of NT \$10 per share, to issue 37,529,573 common shares. The existing shareholders shall be allotted based on the shareholding proportion on the record date, and every thousand shares are entitled to 15 shares.
2. If the stock dividends include any fractional shares which are less than one full share, the fractional shares may be collectively subscribed or consolidated and allocated to a single shareholder within 5 days after the book closure date. Otherwise, the distribution will be made in the form of cash at par value and the Chairman is authorized to allocate fractional shares or shares relinquished by existing shareholders and employees to specific counterparties.
3. The board of directors is authorized to decide the ex-rights record date after the proposal is passed by the regular meeting of shareholders and submitted to the competent authority for approval.

4. The rights and obligations of the new shares issued this time are the same as those of the existing common shares.
5. It is proposed that the Board of directors to be authorized by the Shareholders' Meeting with full power and authority to adjust the per-share dividend as if the number of shares outstanding is revised because of capital shares change.
6. If the above matters related to the capital increase are to instructed by competent authority or it is necessary to make corrections when the subjective and objective environment changes, the Board will be authorized by the meeting of shareholders to deal with related matters and cooperate to deal with all issues related to the matters.

Voting Results: Shares represented at the time of voting: 1,629,867,155 (including 1,588,414,433 votes casted through electronic means); voting in favor: 1,579,546,818 votes (including 1,540,576,764 votes casted through electronic means); voting against: 1,145,880 votes (including 1,145,880 votes casted through electronic means); votes invalid: 0 votes; votes abstained: 49,174,457 votes (including 46,691,789 votes casted through electronic means). The votes in favor of the motion accounted for 96.91% of the total votes and favorable action has been taken in favor of the motion.

VI. Extemporaneous motions: There were no other business and occasional motion after solicitation by the chairman.

Shareholders' account No. 82646 expressed his concern about dividend distribution.

Shareholders' account No. 126862 expressed his concern about the Company's phone operator, product design and product marketing, and dividend distribution.

The above concern of the shareholder has been explained by Chairman or the relevant person designated by Chairman.

VII. Adjournment of the meeting: The meeting was adjourned on 10:18 AM on the same day

According to Article 183 of the Company Act, the Meeting Minutes shall record a summary of the essential points of the proceedings and the results of the meeting; in which the meeting's content, procedures and shareholders' concerns were recorded by video.

Business Report of 2020

1. Business plan implementation overview and results

Impacted by the trade war between the United States and China, the outbreak of the COVID-19 pandemic and the sharp drop in oil prices in 2020, the economic recovery of various countries was still tardy to meet expectations despite the fiscal or monetary policies launched. The IMF adjusted the global economic growth estimate in 2020 to - 4.4% in October. Despite the rapid response and disposal of the pandemic situation in Taiwan, a series of changes in the supervision environment for the introduction of IFRS 17 and ICS still pose major challenges to the life insurance environment. Adhering to the operating principle of being steady and practical, Mercuries Life Insurance (hereafter “the Company”) has carried out the transformation of product strategy ahead of time, promoted the sales of protection and investment-linked products, and showed resilience in the face of the sharp shrinkage of the interest-sensitive product market; In 2020, the new business premium income reached NT \$27.5 billion, ranking 10th in the industry. The total premium income reached NT \$133.5 billion, ranking 7th in the industry.

2. Analysis on revenue, expenditure and profitability

At the end of the year, the total assets of the Company amounted to NT \$1.34 trillion, owner's equity was NT \$42.1 billion, operating income was NT \$157.2 billion, net profit after tax of the current period was NT \$1.44 billion, and the earnings per share was NT \$0.61.

3. Research and development

Product development

In 2020, the Company continued to focus on the development of protection and investment-linked products. In addition to launch health insurance and injury insurance products that can bring stable mortality gains, the Company also strengthened the development of protection and investment-linked products that meet the needs of customers through the efforts of the product R & D team. In the future, while facing the trend of low interest rate in the market, the existing product strategy will be continued to reduce interest rate risk and increase mortality gains and loading surplus.

Customer service

In order to improve customers' experience and operational efficiency, we not only constantly optimize the user interface of the official website and simplify the underwriting process under appropriate risk control, but also strive to improve the policy service mechanism, hoping that every policyholder can participate in the warm service interaction to strengthen the customer closeness and adhesion. In the future, the Company will continue to enhance its underwriting competitiveness, improve e-service, optimize 0800 service line system, and simultaneously strengthen customer experience and service quality.

Channel development

Agency will continue to be our dominate sales channel, supplemented by bancassurance and multiple channels. In order to strengthen the development of agency team and its professionalism, in addition to integrating the education and training of each district and improving the channel's professional sales ability for protection and investment-linked products, we will also further improve the agency channel contract and implement full salary insurance for agency supervisor. In the future, we will focus on investing resources to strengthen the ability of the agency force to increase personnel, providing guidance to obtaining professional certificates to build a high-quality professional agency team with great sales skills.

Finance and IT management

In terms of finance, in addition to strengthening capital ratio and RBC ratio, we will also strengthen equity stock selection mechanism and actively manage stop-loss and stop-profit points to reduce portfolio volatility risk. In the future, in addition to continuously improve the asset pool exception control mechanism, we will also strengthen the fixed income and passive investment performance to increase recurring income. In terms of IT, we will continue to follow financial technology trend, introduce technologies suitable for the Company's development, and pre-build new functions of intermediary heterogeneous development platform as a development platform for connecting core systems with external systems, so as to improve the ability of external applications to connect core systems in the future.

Compliance and risk control

In order to promote the corporate culture of attaching importance to law compliance and risk control and information security, we implement PIMS, conduct Quality Assurance for business solicitation and penalty for violation of regulations to enhance the effectiveness of internal control system for law compliance, and strengthen the risk control of debt and operation. In the future, in addition to continuously optimizing the statutory change management program planning and introducing the statutory change management system, we will also implement management of new product risk control and liability risk, so as to consolidate the foundation of sustainable development of our company.

Corporate social responsibility

Taking the sustainable development of enterprises as our tenet for the past years, we always fulfill the corporate social responsibility from three aspects of E (environment), S (social participation) and G (corporate governance) in accordance with international principles. In addition to passing ISO14064, ISO14001 and other international standards, we have also taken relevant actions in response to climate change. We have continued to pay attention to public welfare issues such as children's health, sports promotion, academic development and vulnerable groups care, and won the sports promoter award of the Ministry of Education for 12 consecutive years. We have set up a corporate governance and nomination committee in the aspect of corporate governance to establish a corporate culture of honest operation and sound development, taken sustainable operation as our own responsibility, and gradually practice the vision of common prosperity of enterprise and society.

4. Business Policies

Looking forward to the future, the Company will continue to focus on its life business, integrate "Strengthen financial structure, improve customer impression through enhancing customer experience, reinforce compliance and risk control", take "Focus on operation and steady growth" as the medium and long-term principal axis of the operation, give full play to the expertise of risk control in the life insurance industry, highlight the essence of the insurance industry, provide protection products and services at all stages of life, and stress on improving the quality of finance, channel, brand marketing and customer service, so as to promote the Company's steady and sound growth in an all-round way.

In 2021, we will take "sound finance, expertized channel, highlighted brand and win customers" as our four strategic priorities, namely, strengthening investment and asset allocation in finance, reducing investment risk and increasing recurring income; developing and increasing mortality gains and premium margin products in line with market trends, and continuously increasing the income of mortality gains and loading surplus. In terms of channels, with information and resources provided, we will strengthen the recruitment and training to build an agency force with professional sales skills. Our brand marketing image will be built into the image of protection and investment-linked product experts. In the aspect of customer service, we will focus on establishing service culture and improving customer experience.

Mercuries Life Insurance Co., Ltd.

Report of the Audit Committee

This report is to certify that the Company's 2020 financial statements were prepared and submitted by the Company's Board of Directors, and already audited and certified by Bao-Lian Chou, CPA and Chiu-Hua Hsieh, CPA of KPMG Taiwan. Said financial statements, together with the business report and Deficit Compensation Statement, have also been reviewed by the Audit Committee, which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act accordingly. Please review it accordingly.

Audit committee member

Independent Director Henry Yang

Independent Director Wei-Yu Kuo

Independent Director Justin Tsai

March 26th, 2021

Independent Auditors' Report

To the Board of Directors of Mercuries Life Insurance Company Ltd.:

Opinion

We have audited the financial statements of Mercuries Life Insurance Company Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019 (restated), and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 (restated), and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As stated in Note 4(x), the Company had changed the accounting policy for subsequent measurement of investment property to fair value since January 1, 2020, and retrospectively adjusted the financial statements for the year ended December 31, 2019. Accordingly, we do not revise the opinion.

Other Matter

We did not audit the financial statements of Fuh Hwa Securities Investment Trust Co., Ltd. and Horizon Securities Co., Ltd, which represented investment in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fuh Hwa Securities Investment Trust Co., Ltd. and Horizon Securities Co., Ltd, is based solely on the report of other auditors. The investment in Fuh Hwa Securities Investment Trust Co., Ltd. and Horizon Securities Co., Ltd accounted for using the equity method constituting 0.12% of total assets at December 31, 2020 and 2019 (restated); and the related share of profit or loss of associates and joint ventures accounted for using the equity method constituting 17.97% and 5.28% of total profit before tax for the years then ended, respectively.

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, and we do not provide a separate opinion on these matters.

1. The completeness and accuracy of the recognition of insurance reserves

Please refer to Note 4(p) for the policy of the completeness and accuracy of recording insurance reserves, Note 5(b) for the assessment of insurance reserves of accounting assumptions and estimation uncertainty, Note 6(o) and Note 6(ab) for insurance reserves details, change and adjustment, and disclosure of insurance contract.

How the matter was addressed in our audit:

Various insurance reserves were provided by actuaries in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves” based on their professional judgment and experience. The insurance reserves were estimated for different types of insurance, and thus, the provision process of these reserves had a high degree of complexity. Liability reserves involved significant judgment from management due to uncertainty of estimation. In addition, to ensure the adequacy of the recognition of insurance liabilities, significant judgment to the final total settlement value of each insurance claims is required. The Company shall assess the adequacy of the recognition of liabilities through estimating future cash flow for insurance contracts based on current information. If there is any shortfall in the current carrying amount of the insurance liability, the shortfall shall be recognized as liability adequacy reserve. Therefore, the recognition of insurance reserve was determined to be a matter of high concern in our audit.

Our principal audit procedures included:

Testing the effectiveness of the design and implementation of internal controls on the financial reporting process related to insurance reserves, inclusive of the control on the completeness and accuracy of the policy information; performing the analysis on movements and recognition of insurance reserves and checking whether the related information and carrying amount of the worksheet were accurate; sampling unearned premium reserves, liability reserves, claim reserves, premium deficiency reserves, special reserves and liabilities adequacy reserve to assess the accuracy of the premium and claim information, as well as inspecting the provision methodology, and examining whether the provision and hypothesis are in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves”. In addition, we also assessed the appropriateness of the disclosure that are related to insurance reserves.

2. Valuation of investment assets

Please refer to Note 4(f) for the related accounting policy of valuation of investment, Note 5(a) for the accounting assumptions, judgments and estimation uncertainty of investment assets valuation, Note 6(c) for the detail of investment assets valuation, and Note 6(z)(aa) for valuation details and risk management of financial assets valuation.

How the matter was addressed in our audit:

Fair value measurement of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income for debt instrument without an active market was determined by observable input parameters obtained either directly or indirectly in inactive markets. The fair value was estimated on the basis of the results of various valuation techniques, which involved professional judgment of the Company’s management. In addition, debt instruments measured at amortized cost and fair value through other comprehensive income has excepted credit loss, recognition and estimation of such loss require significant judgment by the Company’s management. Therefore, valuation of investment assets has been identified as one of the key audit matters in our audit.

Our principal audit procedures included:

Our key audit procedures included performing an assessment over the investment cycle of its initial recognition, subsequent measurements and their disclosures; inspecting the accounting policies related to fair value measurements and disclosures of financial instruments of the Company; obtaining statements for financial assets and understanding the acquisition methods used for fair value of each category, as well as evaluating whether the fair value hierarchy is appropriate; assessing the reasonableness of significant assumptions, fair value and the valuation sources according to the relevant information obtained from external sources; executing impairment test, which included evaluating whether the design of the process for providing expected credit losses are appropriate and the significant hypothesis and factors of the estimations are reasonable, selecting the result to check the reasonableness of the credit risk has increased significantly since the original recognition of financial assets and test the accuracy of the calculation.

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 Regulations Governing the Preparation of Financial Reports by Enterprise Engaging in Insurance and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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, actions taken to eliminate threats or safeguards applied.

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 for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chou, Pao-Lian and Hsieh, Chiu-Hua.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
MERCURIES LIFE INSURANCE COMPANY LTD.

Balance Sheets

December 31, 2020, December 31 and January 1, 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019 (Restated)		January 1, 2019 (Restated)				December 31, 2020		December 31, 2019 (Restated)		January 1, 2019 (Restated)	
Assets		Amount	%	Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (note 6(a))	\$ 146,181,928	11	94,480,586	7	67,453,680	6		Liabilities:						
12000	Accounts receivables (note 6(b))	9,142,186	1	9,715,726	1	10,425,864	1	21000	Accounts payable (notes 6(l) and 7)	\$ 6,724,569	1	6,478,549	-	5,871,608	1
12600	Current income tax assets	1,511,633	-	1,502,455	-	1,335,524	-	21700	Current income tax liabilities	59,547	-	-	-	-	-
14110	Financial assets at fair value through profit or loss (notes 6(c) and 7)	86,048,483	7	96,942,117	8	108,095,331	9	23200	Financial liabilities at fair value through profit or loss (note 6(c))	1,979,315	-	251,177	-	1,782,407	-
14190	Financial assets at fair value through other comprehensive income (notes 6(c) and 7)	45,386,930	3	52,335,819	4	39,060,635	4	23500	Bonds payable (note 6(m))	7,500,000	1	7,500,000	1	7,500,000	1
14145	Financial assets at amortized cost (notes 6(c) and 7)	817,023,310	61	791,295,211	63	724,838,496	63	23800	Lease liabilities (notes 6(n) and 7)	260,106	-	185,115	-	238,828	-
14150	Investments under equity method, net (notes 6(d) and 7)	2,989,082	-	2,903,482	-	2,790,030	-	24000	Insurance liabilities (note 6(o))	1,159,232,001	86	1,101,570,789	87	1,025,805,144	89
14200	Investment property (note 6(e))	23,838,625	2	23,771,493	2	27,411,121	2	24900	Reserves for fluctuation of foreign exchange (note 6(q))	250,644	-	1,253,221	-	1,860,689	-
14300	Loans (notes 6(f) and 7)	70,275,911	5	71,266,013	5	72,386,066	6	27000	Provisions (note 6(s))	1,207,773	-	1,354,768	-	1,679,129	-
15000	Reinsurance contract assets (note 6(g))	861,360	-	986,230	-	567,736	-	28000	Deferred income tax liabilities (note 6(w))	1,027,797	-	1,584,261	-	326,746	-
16000	Property and equipment (notes 6(h) and 7)	8,418,496	1	8,442,542	1	8,531,483	1	25000	Other liabilities (notes 6(r) and 7)	2,867,233	-	3,185,329	-	770,780	-
16700	Right-of-use assets (notes 6(i) and 7)	258,515	-	185,661	-	239,791	-	26000	Separate account liabilities for unit-linked products (note 6(k))	115,616,466	9	96,566,362	8	72,416,052	6
17000	Intangible assets (note 7)	116,219	-	109,047	-	105,931	-		Total liabilities	1,296,725,451	97	1,219,929,571	96	1,118,251,383	97
17800	Deferred tax assets (note 6(w))	5,029,374	-	5,402,306	-	4,807,528	1		Equity:						
18000	Other assets (notes 6(c)(j), 7 and 8)	6,138,722	-	6,650,271	1	6,710,351	1	31100	Common stock (note 6(x))	25,019,715	2	23,719,715	2	23,719,715	2
18900	Separate account assets for unit-linked products (note 6(k))	115,616,466	9	96,566,362	8	72,416,052	6	32000	Capital surplus (note 6(x))	1,586,316	-	1,877,414	-	1,872,420	-
									Retained earnings: (note 6(x))						
								33100	Legal reserve	5,493,761	-	4,455,676	-	4,455,676	1
								33200	Special earnings reserve	15,022,612	1	8,313,141	1	9,324,589	1
								33300	Unappropriated earnings	1,158,576	-	7,607,077	1	2,007,655	-
										21,674,949	1	20,375,894	2	15,787,920	2
								34000	Other equity (note 6(x))	(6,169,191)	-	(3,347,273)	-	(12,455,819)	(1)
									Total equity	42,111,789	3	42,625,750	4	28,924,236	3
Total assets		\$ 1,338,837,240	100	1,262,555,321	100	1,147,175,619	100	Total liabilities and equity		\$ 1,338,837,240	100	1,262,555,321	100	1,147,175,619	100

(English Translation of Financial Statements Originally Issued in Chinese)
MERCURIES LIFE INSURANCE COMPANY LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2020		2019 (Restated)		Change
		Amount	%	Amount	%	%
Operating revenue:						
41110	Direct premiums written (notes 6(t) and 7)	\$ 109,637,379	70	122,577,499	68	(11)
51100	Less: Reinsurance expense (note 6(t))	2,337,240	1	1,807,764	1	29
51310	Unearned premium reserve movement (notes 6(o)(t))	267,807	-	246,403	-	9
	Retained earned premium (note 6(t))	107,032,332	69	120,523,332	67	(11)
41300	Commission on reinsurance ceded	18,286	-	28,451	-	(36)
41400	Fee income (notes 6(k) and 7)	1,714,474	1	1,451,993	1	18
	Investment gain (loss), net					
41510	Interest income (note 7)	32,896,682	21	34,970,476	20	(6)
41521	Gain (loss) on financial assets (liabilities) measured at fair value through profit or loss (note 6(c))	11,650,529	7	15,214,215	8	(23)
41526	Net gain (loss) arising from derecognition of financial assets measured at amortized cost (note 6(c))	9,053,523	6	8,679,098	5	4
41527	Realized gain (loss) on financial assets measured at fair value through other comprehensive income (note 6(c))	3,389,361	2	900,983	1	276
41540	Share of gain of associates and joint ventures accounted for using equity method (note 6(d))	309,383	-	259,588	-	19
41550	Gain (loss) on foreign exchange	(24,057,222)	(15)	(11,360,074)	(6)	(112)
41560	Reserve for fluctuation of foreign exchange movement (note 6(q))	1,002,577	1	607,468	-	65
41570	Gain (loss) on investment property (notes 6(e)(v) and 7)	553,097	-	570,544	-	(3)
41585	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (notes 6(c)(f))	456,632	-	109,198	-	318
41600	Profit or loss reclassified by applying overlay approach (note 6(c))	3,048,482	2	(10,290,741)	(6)	130
41800	Other operating income	22,473	-	44,262	-	(49)
41900	Separate account revenue for unit-linked products (note 6(k))	10,141,355	6	17,313,636	10	(41)
		<u>157,231,964</u>	<u>100</u>	<u>179,022,429</u>	<u>100</u>	<u>(12)</u>
Operating costs:						
51200	Claims and benefits (note 6(t))	64,905,235	41	64,070,163	36	1
41200	Less: Claims recovered from reinsurers (note 6(t))	1,993,973	1	1,439,311	1	39
	Retained insurance claims and benefits incurred (note 6(t))	62,911,262	40	62,630,852	35	-
51300	Other insurance liabilities movement (note 6(o))	70,158,681	45	80,345,784	45	(13)
51400	Underwriting expenses	37,068	-	40,379	-	(8)
51500	Commission expense (note 6(s))	7,254,559	5	8,499,056	5	(15)
51800	Other operating costs (note 6(n))	554,890	-	582,215	-	(5)
51900	Separate account expense for unit-linked products (note 6(k))	10,141,355	6	17,313,636	10	(41)
		<u>151,057,815</u>	<u>96</u>	<u>169,411,922</u>	<u>95</u>	<u>(11)</u>
Operating expenses: (notes 6(b)(h)(i)(n)(s)(u)(v) and 7)						
58100	Sales and marketing expenses	579,820	-	538,050	-	8
58200	Administrative expenses	3,960,562	3	4,032,742	2	(2)
58300	Employee training expenses	62,326	-	231,832	-	(73)
58400	Non-investing impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	9,066	-	4,916	-	84
		<u>4,611,774</u>	<u>3</u>	<u>4,807,540</u>	<u>2</u>	<u>(4)</u>
Operating gain						
59000	Non-operating income and expense (note 7)	1,562,375	1	4,802,967	3	(67)
		<u>177,936</u>	<u>-</u>	<u>131,223</u>	<u>-</u>	<u>36</u>
Profit from continuing operations before tax						
		1,740,311	1	4,934,190	3	(65)
63000	Less: Income tax expense (benefit) (note 6(w))	295,773	-	(77,322)	-	(483)
		<u>1,444,538</u>	<u>1</u>	<u>5,011,512</u>	<u>3</u>	<u>(71)</u>
Profit						
83000	Other comprehensive income:					
83100	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
83110	Losses on remeasurements of defined benefit plans	(130,484)	-	(177,287)	-	26
83190	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(2,839)	-	(149,291)	-	98
83130	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	673	-	(1,280)	-	153
83180	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	451	-	(2,538)	-	(118)
		<u>(132,199)</u>	<u>-</u>	<u>(330,396)</u>	<u>-</u>	<u>60</u>
83200	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
83290	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	280,425	-	(256,843)	-	209
83240	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(5,414)	-	(2,445)	-	(121)
83295	Other comprehensive income (loss) on reclassification under the overlay approach	(3,048,482)	(2)	10,290,741	6	(130)
83280	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(61,731)	-	(1,016,049)	(1)	(94)
		<u>(2,835,202)</u>	<u>(2)</u>	<u>9,015,404</u>	<u>5</u>	<u>(131)</u>
83000	Other comprehensive income (loss)	<u>(2,967,401)</u>	<u>(2)</u>	<u>8,685,008</u>	<u>5</u>	<u>(134)</u>
Total comprehensive income (loss) for the period						
		<u>\$ (1,522,863)</u>	<u>(1)</u>	<u>13,696,520</u>	<u>8</u>	<u>(111)</u>
Basic earnings per share (In New Taiwan Dollars) (note 6(y))						
		<u>\$ 0.61</u>		<u>2.11</u>		
Diluted earnings per share (In New Taiwan Dollars) (note 6(y))						
		<u>\$ 0.61</u>		<u>2.11</u>		

(English Translation of Financial Statements Originally Issued in Chinese)
MERCURIES LIFE INSURANCE COMPANY LTD.

Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity		
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial assets measured at fair value through other comprehensive income	Other comprehensive income (loss) on reclassification under the overlay approach	Total equity
Balance at January 1, 2019	\$ 23,719,715	1,872,420	4,455,676	9,324,589	(820,929)	(755)	718,146	(13,173,210)	26,095,652
Effects of retrospective application and retrospective restatement	-	-	-	-	2,828,584	-	-	-	2,828,584
Equity at beginning of period after adjustments	23,719,715	1,872,420	4,455,676	9,324,589	2,007,655	(755)	718,146	(13,173,210)	28,924,236
Net income	-	-	-	-	5,011,512	-	-	-	5,011,512
Other comprehensive income (loss)	-	-	-	-	(178,713)	(2,445)	(375,609)	9,241,775	8,685,008
Total comprehensive income (loss)	-	-	-	-	4,832,799	(2,445)	(375,609)	9,241,775	13,696,520
Appropriation and distribution of retained earnings:									
Special earnings reserve provided due to reversal of special risk-volatility reserve	-	-	-	215,571	(215,571)	-	-	-	-
Reversal of special earnings reserve provided as transformation plan	-	-	-	(15,925)	15,925	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(1,020,575)	1,020,575	-	-	-	-
Other changes in capital surplus:									
Changes in equity of associates and joint ventures accounted for using equity method	-	4,994	-	-	-	-	-	-	4,994
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(244,869)	-	244,869	-	-
Investment company under equity method disposed equity instruments measured at fair value through other comprehensive income	-	-	-	-	44	-	(44)	-	-
Withdrawal of special catastrophe reserve and special risk-volatility reserve	-	-	-	(190,519)	190,519	-	-	-	-
Balance at December 31, 2019 (Restated)	23,719,715	1,877,414	4,455,676	8,313,141	7,607,077	(3,200)	587,362	(3,931,435)	42,625,750
Special reserve appropriated in accordance with Jin-Guan-Bao-Tsai No.10402501001	-	-	-	2,416,650	(2,416,650)	-	-	-	-
Restated equity at beginning of period	23,719,715	1,877,414	4,455,676	10,729,791	5,190,427	(3,200)	587,362	(3,931,435)	42,625,750
Net income	-	-	-	-	1,444,538	-	-	-	1,444,538
Other comprehensive income (loss)	-	-	-	-	(131,703)	(5,414)	245,370	(3,075,654)	(2,967,401)
Total comprehensive income (loss)	-	-	-	-	1,312,835	(5,414)	245,370	(3,075,654)	(1,522,863)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	1,038,085	-	(1,038,085)	-	-	-	-
Special earnings reserve provided due to reversal of special risk-volatility reserve	-	-	-	567,305	(567,305)	-	-	-	-
Special earning reserve provided due to 10% of profits with the adoption of reserve for fluctuation of foreign exchange	-	-	-	519,043	(519,043)	-	-	-	-
Provision for gain on disposal of investments in debt instrument	-	-	-	5,187,526	(5,187,526)	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	(2,121,532)	2,121,532	-	-	-	-
Other changes in capital surplus:									
Changes in equity of associates and joint ventures accounted for using equity method	-	6,537	-	-	-	-	-	-	6,537
Issue of shares	1,300,000	(318,500)	-	-	-	-	-	-	981,500
Share-based payments	-	20,865	-	-	-	-	-	-	20,865
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(14,066)	-	14,066	-	-
Investment company under equity method disposed equity instruments measured at fair value through other comprehensive income	-	-	-	-	286	-	(286)	-	-
Appropriation of special catastrophe reserve and special risk-volatility reserve	-	-	-	140,479	(140,479)	-	-	-	-
Balance at December 31, 2020	\$ 25,019,715	1,586,316	5,493,761	15,022,612	1,158,576	(8,614)	846,512	(7,007,089)	42,111,789

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
MERCURIES LIFE INSURANCE COMPANY LTD.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019 (Restated)
Cash flows from operating activities:		
Profit before tax	\$ 1,740,311	4,934,190
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	361,372	328,704
Amortization expense	146,308	140,933
Non-investment impairment loss	9,066	4,916
Net gain on financial assets or liabilities at fair value through profit or loss	(11,650,529)	(15,214,215)
Net gain on financial assets or liabilities at fair value through other comprehensive income	(3,389,361)	(900,983)
Interest expense	367,383	327,633
Net gain arising from derecognition of financial assets measured at amortized cost	(9,053,523)	(8,679,098)
Interest income	(32,896,682)	(34,970,476)
Net change in insurance liabilities	70,426,488	80,592,187
Net change in reserve for fluctuation of foreign exchange movement	(1,002,577)	(607,468)
Reversal of impairment loss	(456,632)	(109,198)
Share-based payments	20,865	-
Share of profit of associates and joint ventures accounted for using equity method	(309,383)	(259,588)
(Profit) loss reclassified by applying overlay approach	(3,048,482)	10,290,741
Loss (gain) on disposal of property and equipment	1	(292)
Unrealized foreign exchange loss	23,378,132	14,748,058
Gain on fair value adjustment of investment property	(57,267)	(13,653)
Total adjustments to reconcile profit	32,845,179	45,678,201
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in accounts receivable	483,390	1,672,655
Decrease in financial assets at fair value through profit or loss	22,409,523	20,673,898
Decrease (increase) in reinsurance contract assets	209,498	(353,546)
Increase in other assets	(32,615)	(34,477)
Total changes in operating assets	23,069,796	21,958,530
Changes in operating liabilities:		
Increase in accounts payable	224,116	795,294
Decrease in provisions	(277,479)	(501,649)
(Decrease) increase in other liabilities	(279,467)	282,960
Others	(12,850,075)	(4,891,538)
Total changes in operating liabilities	(13,182,905)	(4,314,933)
Total changes in operating assets and liabilities	9,886,891	17,643,597
Total adjustments	42,732,070	63,321,798
Cash inflow generated from operations	44,472,381	68,255,988
Interest received	34,363,821	22,612,505
Dividends received	1,853,486	3,633,396
Interest paid	(345,479)	(513,353)
Income taxes paid	(490,216)	(445,456)
Net Cash flows from operating activities	79,853,993	93,543,080
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(53,351,342)	(45,205,232)
Proceeds from disposal of financial assets at fair value through other comprehensive income	65,619,569	31,849,635
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	22,127	22,152
Acquisition of financial assets at amortized cost	(250,893,466)	(212,616,257)
Proceeds from disposal of financial assets at amortized cost	68,291,635	77,289,175
Proceeds from early redemption and repayment of financial assets at amortized cost	140,218,008	74,904,279
Acquisition of property and equipment	(154,967)	(88,802)
Proceeds from disposal of property and equipment	-	333
Decrease in refundable deposits	422,995	598,588
Acquisition of intangible assets	(79,236)	(61,514)
Decrease in loans	999,075	1,159,770
Acquisition of investment properties	(9,865)	-
Proceeds from disposal of investment properties	-	3,653,281
Net cash flows used in investing activities	(28,915,467)	(68,494,592)
Cash flows from financing activities:		
Increase in guarantee deposits received	-	2,131,589
Decrease in guarantee deposits received	(38,629)	-
Payment of lease liabilities	(180,055)	(153,171)
Proceeds from issuing of shares	981,500	-
Net cash from financing activities	762,816	1,978,418
Net increase in cash and cash equivalents	51,701,342	27,026,906
Cash and cash equivalents at beginning of period	94,480,586	67,453,680
Cash and cash equivalents at end of period	\$ 146,181,928	94,480,586

Mercuries Life Insurance Co., Ltd
Comparison table of amendments to the "Procedures for Election of Directors"

Revised provisions	Current provisions	Description:
Article 5 <u>The election of directors of our company shall be conducted in accordance with the procedures of the nomination system of candidates as stipulated in article 192-1 of the Company Act.</u> If the directors are dismissed for some reason, and there are less than five persons in the board, the company shall hold a by-election at the latest shareholders' meeting. However, if the vacancy of directors reaches one-third of the seats specified in the articles of association or the independent directors are all removed, the company shall, within 60 days from the date of the occurrence of the fact, hold an interim meeting of shareholders for by-election. Where the number of independent directors is less than the proviso to paragraph 1 of article 14-2 of the Securities Exchange Act, the by-election shall be conducted at the latest shareholders' meeting.	Article 5 <u>The election of directors of our company shall be conducted in accordance with the procedures of the nomination system. The qualifications of the nominees and whether there are any circumstances listed in Article 30 of the Company Act shall be carefully evaluated and handled in accordance with article 192-1 of the Company Act.</u> If the directors are dismissed for some reasons, and there are less than five persons in the board, the company shall hold a by-election at the latest shareholders' meeting. However, if the vacancy of directors reaches one-third of the seats specified in the articles of association or the independent directors are all removed, the company shall, within 60 days from the date of the occurrence of the fact, hold an interim meeting of shareholders for by-election. Where the number of independent directors is less than that stipulated in the proviso to paragraph 1 of article 14-2 of the Securities Exchange Act, <u>or is less than that stipulated in the Taiwan stock exchange listing review criteria</u>, a by-election shall be conducted at the latest shareholders' meeting.	1. In line with the amendment of article 192-1 of the Company Act, the procedure for nominating directors is simplified, and paragraph-1 is also amended accordingly. 2. Since the company is a listed company, the provisions of the Taiwan Stock Exchange listing review criteria are deleted accordingly.
Article 6 The election of directors of the company adopts the system of disclosed cumulative voting system. Each share has the same number of voting rights as the number of directors to be elected. You can giving all votes to one person or distribute the votes to several persons.	Article 6 The election of directors of the company adopts the system of disclosed cumulative voting system. Each share has the same number of voting rights as the number of directors to be elected. You can giving all votes to one person or distribute the votes to several persons <u>and those with more votes are elected as directors.</u>	1. Adjust the text to be consistent with the reference example. 2. Since the latter paragraph of the original article 6 has been stipulated in the provisions of Article 8, to avoid repetition, it is deleted.
Article 7 The board of directors shall prepare the electoral votes <u>with the same number of directors to</u>	Article 7 The board of directors shall prepare the electoral votes, and fill in the number of their voting	1. Adjust the text to be consistent with the reference example.

Revised provisions	Current provisions	Description:
be elected, and fill in the number of their voting rights, and distribute them to the shareholders attending the shareholders' meeting. The names of the electors can be replaced by the attendance certificate number printed on the electoral votes.	rights, and distribute them to the shareholders attending the shareholders' meeting. The names of the electors can be replaced by the attendance certificate number printed on the electoral votes.	
Article 9 Before the election, the chairman shall appoint a number of watchers and tellers <u>respectively</u> who are shareholder to perform various duties. The ballot box shall be prepared by the board of directors and opened in the presence of all by the watcher before voting.	Article 9 Before the election, the chairman shall appoint a number of watchers and tellers who are shareholder to perform various duties. The ballot box shall be prepared by the board of directors and opened in the presence of all by the watcher before voting.	1. Adjust the text to be consistent with the reference example.
(this provision is deleted)	Article 10 <u>If the electee is a shareholder, the elector shall fill in the name of the electee and the number of the shareholder in the electee column of the voting ticket; if the electee is not a shareholder, the name of the electee and the number of the identity document shall be indicated. However, when the government or corporate shareholder is the electee, the name of the government or corporate shareholder or the name of its representative shall be filled in the name column; if there are several representatives, their names shall be filled in separately.</u>	1. In line with the Jin-Guan-Jheng-Jiao-Zi No. 1080311451 issued on April 25, 2019, the candidate nomination system should be adopted for the election of directors and supervisors of listed (OTC) companies from 2021, which means that shareholders should select the candidates from the list of directors' candidates. Shareholders could know the names, academic experience and other information of the candidates from the list before the shareholders' meeting, so that it is unnecessary to use the shareholder's account number or ID card number as the identity of the candidates and this article is deleted accordingly.
Article 10 A voting ticket is invalid in one of the following circumstances: 1. Do not use the ballot paper prepared by the <u>convener</u> . 2. A blank voting ticket. 3. A voting ticket with illegible handwriting or altered handwriting. 4. <u>The candidates filled in are inconsistent with the list of candidates for directors.</u> 5. Including other words in addition to the number of allocated voting rights.	Article 11 A voting ticket is invalid in one of the following circumstances: 1. Do not use the ballot paper prepared by the <u>board of directors</u> . 2. A blank voting ticket. 3. A voting ticket with Illegible handwriting or altered handwriting. 4. <u>In case of the electee is a shareholder, his / her account name and shareholder's account number are inconsistent with those in the shareholders' list; in case of the electee is not a shareholder, his / her name and</u>	1. Adjust the article number 2. In accordance with Article 173 of the Company Act, shareholders may, under special circumstances (if the board of directors does not give notice of the call), report to the competent authority for permission to call the meeting on their own, and propose to adjust the first paragraph of this article. And in line with the Jin-Guan-Jheng-Jiao-Zi No. 1080311451 issued on April 25, 2019, the candidate nomination system should

Revised provisions	Current provisions	Description:
	<u>identity document number are inconsistent after verification.</u> 5. Other words are included in addition to the account name (name) of the elected or the account number (ID number) of the shareholder and the number of voting rights allocated. 6. The electee has the same name as other shareholders, but the <u>his/her account number or identity document number is not filled in correctly.</u>	be adopted for the election of directors and supervisors of listed (OTC) companies from 2021, which means that shareholders should select the candidates from the list of directors candidates. Shareholders could know the names, academic experience and other information of the candidates from the list before the shareholders' meeting, so that it is unnecessary to use the shareholder's account number or ID card number as the identity of the candidates and paragraphs 4 and 5 of this article are adjusted and paragraph 6 is deleted accordingly.
Article 11 After voting, the voting tickets shall be revealed on the spot, and the result shall be announced by the chairman on the spot, including the list of directors elected and the number of directors elected. The voting tickets for the election matters mentioned in the preceding paragraph shall be sealed and signed by the watchers and properly kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, the tickets shall be kept until the end of the lawsuit.	Article 12 After voting, the voting tickets shall be revealed on the spot, and the result shall be announced by the chairman on the spot, including the list of directors elected and the number of directors elected. The voting tickets for the election matters mentioned in the preceding paragraph shall be sealed and signed by the watchers and properly kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, the tickets shall be kept until the end of the lawsuit.	1. Adjust the article number
Article 12 The board of directors of the company shall issue a notice of election to the elected director.	Article 13 The board of directors of the company shall issue a notice of election to the elected director.	1. Adjust the article number
Article 13 This measure shall <u>come into force after being approved by the resolution of the shareholders' meeting</u>, and the same shall apply when they are amended or repealed.	Article 14 This measure shall <u>be presented to the shareholders' meeting for review</u>, and the same shall apply when they are amended or repealed. <u>This measure came into force on June 14, 2019.</u>	1. To revise and adjust the wording in accordance with the rules and regulations. 2. Adjust the article number and delete the second article as there is a revision record already.

Procedures for Election of Directors

Department in charge: Executive Office

Date of preparation / revision: 2021.08.20

Revision record

Version	Date of preparation / revision	Summary of reasons and contents for preparation / revision	Department in charge	Remark
V01	1993.06.01	To formulate the Procedures for Election of Directors	Initiating committee	
V02	2002.05.24	Amend the Procedures for Election of Directors in accordance with Company Act	General manager office	
V03	2008.05.28	Regulations of deleting the supervisors and adding independent directors	Secretary office	
V04	2011.06.28	Amend the Procedures for Election of Directors in accordance with Article 21 of the Code of Practice on Corporate Governance for Listed Companies	Secretary office	
V05	2012.06.20	Revised in accordance with the reference example of the stock exchange	Executive Office	
V06	2014.06.27	Attention should be paid to gender equality and the system of nominating candidates when revising the composition of directors	Executive Office	
V07	2018.06.15	In response to the proposal of the Corporate Governance Association, when amending the composition of the board of directors, the diversification should be considered and documents to verify the qualifications of other directors should not be arbitrarily added	Executive Office	
V08	2019.06.14	Article 5 of the Procedures for Election of Directors was amended in accordance with Article 22 of the Code of Practice on Corporate Governance for Listed Companies	Executive Office	

V09	2021.08.20	Adjust the relevant contents in accordance with the revision of the reference example of "procedures for the election of directors of joint-stock limited companies" of the stock exchange	Executive Office	
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Article I

These procedures are formulated in accordance with Article 21 of the Code of Practice on Corporate Governance for Listed Companies for the purpose of selecting directors in a fair, impartial and open manner.

Article II

The election of directors of the corporation shall be conducted in accordance with the provisions of this Procedure, unless otherwise provided by laws or regulations.

Article III

The overall setting of the board of directors should be considered in the selection of directors of the company. The composition of the board of directors should consider diversity, and formulate an appropriate diversification policy based on its own operation, mode of operation and development needs, which should include but not be limited to the following two aspects:

1. Basic conditions and values: gender, age, nationality and culture.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.

Members of the board of directors shall generally have the necessary knowledge, skills and qualities to perform their duties. The overall abilities requirements are as follows:

1. Ability of operational judgment.
2. Ability of accounting and financial analysis.
3. Ability of management.
4. Knowledge and ability of risk management
5. Ability of crisis management.
6. Professional knowledge of Finance and insurance.
7. International market outlook.
8. Leadership.
9. Ability of decision making.

Directors shall occupy more than half of the seats, which shall not be taken by their spouse or second degree relatives.

The directors of the company shall meet the requirements of the "qualification criteria for persons in charge of the insurance industry".

The board of directors of the company shall consider and adjust the composition of it according to the results of performance evaluation.

Article IV

The qualifications of independent directors of the company shall comply with Articles 2, 3 and 4 of the measures for the establishment and matters to be followed of independent directors of public companies.

The selection of independent directors of the company shall comply with Articles 5, 6, 7, 8 and 9 of the measures for the establishment and matters to be followed of independent directors of public companies, and shall be conducted in accordance with Article 24 of Code of Practice on Governance of Listed Companies.

Article V

The election of directors of our company shall be conducted in accordance with the procedures of the nomination system of candidates as stipulated in article 192-1 of the Company Act.

If the directors are dismissed for some reason, and there are less than five persons in the board, the company shall hold a by-election at the latest shareholders' meeting. However, if the vacancy of directors reaches one-third of the seats specified in the articles of association or the independent directors are all removed, the company shall, within 60 days from the date of the occurrence of the fact, hold an interim meeting of shareholders for by-election.

Where the number of independent directors is less than the proviso to paragraph 1 of

article 14-2 of the Securities Exchange Act, the by-election shall be conducted at the latest shareholders' meeting.

Article VI

The election of directors of the company adopts the system of disclosed cumulative voting system. Each share has the same number of voting rights as the number of directors to be elected. You can giving all votes to one person or distribute the votes to several persons.

Article VII

The board of directors shall prepare the electoral votes with the same number of directors to be elected, and fill in the number of their voting rights, and distribute them to the shareholders attending the shareholders' meeting. The names of the electors can be replaced by the attendance certificate number printed on the electoral votes.

Article VIII

The election of independent and non-independent directors of the company adopts the system of nomination of candidates. The voting rights of independent directors and non-independent directors are calculated respectively according to the number of persons specified in the articles of association, those with the most voting tickets will be elected successively, if two or more people have the same weight and exceed the prescribed quota, the person with the same weight shall draw lots, and the chairman shall draw lots for those who do not present.

Article IX

Before the election, the chairman shall appoint a number of watchers and tellers respectively who are shareholder to perform various duties. The ballot box shall be prepared by the board of directors and opened in the presence of all by the watcher before voting.

Article X

A voting ticket is invalid in one of the following circumstances:

1. Do not use the ballot paper prepared by the convener.
2. A blank voting ticket.
3. A voting ticket with illegible handwriting or altered handwriting.
4. The candidates filled in are inconsistent with the list of candidates for directors.
5. Including other words in addition to the number of allocated voting rights.

Article XI

After voting, the voting tickets shall be revealed on the spot, and the result shall be announced by the chairman on the spot, including the list of directors elected and the number of directors elected.

The voting tickets for the election matters mentioned in the preceding paragraph shall be sealed and signed by the watchers, properly kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, the tickets shall be kept until the end of the lawsuit.

Article XII

The board of directors of the company shall issue a notice of election to the elected director.

Article XIII

This measure shall come into force after being approved by the resolution of the shareholders' meeting, and the same shall apply when they are amended or repealed.

Mercuries Life Insurance Co., Ltd

Comparison Table of the "Rules of Procedure of Shareholders

Meeting" Amendments

Revised provisions	Current provisions	Description:
Article 3 The 1st to 4th items are omitted. Appointment or dismissal of directors, change of articles of association, capital reduction, application for suspension of public offerings, directors' competition license, capital increase from surplus, capital increase from public reserves, company dissolution, merger, division or the matters mentioned in article 185, paragraph 1, of the <u>Company Act</u>, <u>articles 26-1 and 43-6 of the Securities and Exchange Act</u>, and <u>articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be listed and explained in the part of convening reasons of the meeting, and shall not be put forward as incidental motions. The 6th article is omitted. Shareholders holding more than 1% of the total number of issued shares may propose to the company a motion at the regular meeting of shareholders, which shall be limited to one. If there is more than one motion, it shall not be included. In addition, the board of directors may not list the shareholders' proposal as one of the situations	Article 3 The 1st to 4th items are omitted. Appointment or dismissal of directors, change of articles of association, capital reduction, application for suspension of public offerings, directors' competition license, capital increase from surplus, capital increase from public reserves, company dissolution, merger, division or the matters mentioned in article 185, paragraph 1 shall be listed and explained in the part of convening reasons of the meeting, and shall not be put forward as incidental motions. <u>The main contents of it shall be placed on the website designated by the securities authority or the company, and the website shall be listed in the notice.</u> The 6th article is omitted. Shareholders holding more than 1% of the total number of issued shares may propose to the company a motion at the regular meeting of shareholders, which shall be limited to one. If there is more than one motion, it shall not be included. <u>However, if the shareholders' proposal is to urge the company to promote public interests</u>	1. Cooperate with the amendment of item 4 of article 3 of the "Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company." to include the provisions that shall not be put forward by means of incidental motion in the relevant decrees, and adjust the way of announcement in accordance with the provisions. 2. Cooperate with the amendment of item 6 of article 3 of the "Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company." and in line with the amendment to item 5 of article 172-1 of the Company Act, the amendment to item 7 was made by the interpretation of Shang-Zi-Di10700105410.

Revised provisions	Current provisions	Description:
mentioned in article 172-1, item 4 of the Company Act. <u>Shareholders may propose suggestive proposals to urge the company to promote public interests or fulfill its social responsibilities. The procedures shall be in accordance with article 172-1 of the Company Act. No more than one proposal shall be included in the motion.</u>	<u>or fulfill its social responsibilities, the board of directors shall still include it in the motion.</u> In addition, the board of directors may not list the shareholders' proposal as one of the situations mentioned in article 172-1, item 4 of the Company Act.	
The following is omitted. Article 9 The 1st article is omitted. When it is the right time, the chairman shall immediately call the order, <u>together announce the relevant information such as the number of non-voting rights and the number of shares present.</u> Only when shareholders representing more than half of the total number of issued shares are not present may the chairman postpone the meeting for a maximum of two times, and the total postponement shall not exceed one hour. If there are still not enough shareholders representing more than one third of the total number of issued shares to attend the meeting after the second postponement, the chairman shall announce the meeting abortion.	The following is omitted. Article 9 The 1st article is omitted. When it is the right time, the chairman shall immediately call the order, only when shareholders representing more than half of the total number of issued shares are not present may the chairman postpone the meeting for a maximum of two times, and the total postponement shall not exceed one hour. If there are still not enough shareholders representing more than one third of the total number of issued shares to attend the meeting after the second postponement, the chairman shall announce the meeting abortion.	1. Cooperate with the amendment of item 2 of article 9 of the "Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company." improve corporate governance and protect the rights and interests of shareholders, and add new content to the 2nd item. 2. After the new content is added, the content of the original second article is changed into the third article.
The following is omitted. Article 14 When the board of shareholders elect directors, it shall follow the relevant election rules set by the company, and announce the election results on the spot,	The following is omitted. Article 14 When the board of shareholders elect directors, it shall follow the relevant election rules set by the company, and announce the election results on the spot,	1. Cooperate with the amendment of item 1 of article 14 of the "Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company." improve corporate governance and

Revised provisions	Current provisions	Description:
including the list of directors elected and the number of voting tickets, <u>the list of directors not elected and the number of voting tickets.</u> The 2nd article is omitted.	including the list of directors elected and the number of voting tickets. The 2nd article is omitted.	protect the rights and interests of shareholders, and amended the 1st item.
Article 16 The 1st article is omitted. If the resolution of the shareholders' meeting contains material information as required by laws and regulations or by the Taiwan Stock Exchange Co., Ltd, the company shall transmit the content to the public information website within the specified time.	Article 16 The 1st article is omitted. If the resolution of the shareholders' meeting contains material information as required by laws and regulations or by the Taiwan Stock Exchange Co., Ltd, <u>(Taipei Exchange)</u> the company shall transmit the content to the public information website within the specified time.	1. As a listed company, the company publishes major information in accordance with the specifications of the stock exchange, so the relevant text should be adjusted accordingly.
Article 19 This rule shall come into force after being approved by the <u>resolution of the shareholders' meeting</u> , and the same shall apply when they are amended or repealed.	Article 19 This rule shall come into force after being approved by the shareholders' meeting and the same shall apply when they are amended or repealed. <u>These Rules shall be amended and come into force after being passed by the resolution of the shareholders' meeting on June 19, 2020.</u>	1.To revise and adjust the wording in accordance with the rules and regulations. 2. Delete the second article since there is a revision record already.

Rules of Procedure for Shareholders Meetings

Department in charge: Executive Office

Date of preparation / revision: 2021.08.20

Revision record

Version	Date of preparation / revision	Summary of reasons and contents for preparation / revision	Department in charge	Remark
V01	1993.06.01	These rules shall come into force after being approved by the initiating committee on June 1, 1993.	Finance Department	
V02	1998.05.28	In order to comply with the "rules of procedure for shareholders' meetings of public companies" promulgated by the ministry of finance and the futures regulatory commission in accordance with article 2, paragraph 11 of the organizational regulations, some provisions of the revised rules of procedure for shareholders' meetings of the company are amended.	Finance Department	
V03	2001.03.21	In accordance with article 16 of the articles of association, articles 5 and 14 of the rules of procedure of the shareholders' meeting of the company are amended.	Finance Department	
V04	2002.05.24	In accordance with the Company Act amended by Zong-Tong-Hua-Zong-Yi-Zi No. 9000218920 on November 12, 2001, articles 6 and 14 of the rules of procedure of the shareholders' meeting of the company are amended.	Finance Department	
V05	2008.05.28	In accordance with Article 174 of the Company Act and the actual operation of the regular meeting of shareholders of the company, articles 5 and 14 of the rules of procedure of the shareholders' meeting of the company are amended.	Finance Department	
V06	2012.06.20	In order to coordinate with the listing plan, we refer to the example of "Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company of Taiwan Stock Exchange Co., Ltd." amended on March 31, 2021, the rules of procedure of the shareholders' meeting of the company are amended.	Finance Department	
V07	2016.06.21	Some provisions of the revised Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company are amended with reference to the example of the Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company of Taiwan Stock Exchange Co., Ltd. amended on January 28, 2015.	Finance Department	
V08	2020.06.19	Some provisions of the revised Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company are amended with reference to the example of the Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company of Taiwan Stock Exchange Co., Ltd. amended on January 2, 2020.	Executive Office	
V09	2021.08.20	Some provisions of the revised Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company are amended with reference to the example of the Rules of Procedure of the Shareholders' Meeting of ○○ Incorporated Company of Taiwan Stock Exchange Co., Ltd. amended on June 3, 2020 and January 28, 2021.	Executive Office	

Article 1

In order to establish a good governance system of the board of shareholders of the company, improve the supervision function and strengthen the management function. These rules are hereby formulated in accordance with the Company Act, the Securities and Exchange Act and Article 5 of the code of practice on corporate governance of listed companies for compliance.

Article 2

The rules of procedure of the shareholders' meeting of this company shall be in accordance with these rules, unless otherwise provided by laws or regulations.

Article 3

The shareholders' meeting of the company shall be convened by the board of directors unless otherwise provided by laws and regulations.

The company shall, 30 days before the regular meeting of shareholders or 15 days before the interim meeting of shareholders, make an electronic copy of the notice of the meeting of shareholders, the power of attorney, the reasons and explanatory materials of various motions concerning the acknowledgment, discussion, election or removal of directors, etc., and transmit them to the public information observatory site. Meanwhile, 21 days before the regular meeting of shareholders or 15 days before the interim meeting of shareholders, an electronic file will be made and sent to the public information observatory site. Fifteen days before the shareholders' meeting, a handbook of the proceedings of the shareholders' meeting and the supplementary information of the meeting shall be prepared for the reference of shareholders at any time, and shall also be listed in the company and the professional stock affairs agency appointed by the company, and shall be distributed at the shareholders' meeting.

The notice and announcement shall specify the reasons for the call; Where the notice is given with the consent of the other party, it may be given in electronic form.

For the shareholders holding less than 1000 registered shares, the notice of convening the regular meeting of shareholders may be given 30 days before the meeting; the notice of convening the interim meeting of shareholders may be given 15 days before the meeting by public announcement.

Appointment or dismissal of directors, change of articles of association, capital reduction, application for suspension of public offerings, directors' competition license, capital increase from surplus, capital increase from public reserves, company dissolution, merger, division or the matters mentioned in article 185, paragraph 1, of the Company Act, articles 26-1 and 43-6 of the Securities and Exchange Act, and articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed and explained in the part of convening reasons of the meeting, and shall not be put forward as incidental motions.

The reason for the convening of the shareholders' meeting has stated the general re-election of directors and the date of taking office. After the re-election of the shareholders' meeting is completed, the date of taking office shall not be changed by incidental motion or other means at the same meeting.

Shareholders holding more than 1% of the total number of issued shares may propose to the company a motion at the regular meeting of shareholders, which shall be limited to one. If there is more than one motion, it shall not be included. In addition, the board of directors may not list the shareholders' proposal as one of the situations mentioned in article 172-1, item 4 of the Company Act. Shareholders may propose suggestive proposals to urge the company to promote public interests or fulfill its social responsibilities. The procedures shall be in accordance with article 172-1 of

the Company Act. No more than one proposal shall be included in the motion.

The company shall announce the acceptance of the shareholder's proposal, written or electronic acceptance method, place of acceptance and period of acceptance prior of the day when the stock transfer is stopped before the regular meeting of shareholders is held; the period of acceptance shall not be less than 10 days.

A proposal proposed by a shareholder shall be limited to three hundred words, and those more than three hundred words shall not be included in the proposal. The proposing shareholder shall attend the regular meeting of shareholders in person or by agency and participate in the discussion of the proposal.

The company shall, prior to the notice date of convening the shareholders' meeting, notify the proposing shareholders of the handling results, and list the proposals in accordance with this article in the notice of meeting. For a shareholder's proposal not included in the proposal, the board of directors shall explain the reasons at the shareholders' meeting.

Article 4

A shareholder may, at each shareholders' meeting, issue a power of attorney printed by the company, stating the scope of authorization, entrust an agent and attend the shareholders' meeting.

A shareholder shall issue a power of attorney and entrust only one person, which shall be delivered to the company 5 days before the shareholders' meeting. In case of duplicate power of attorney, the first one shall prevail. However, this restriction shall not apply to those who have declared to revoke the previous one.

After the power of attorney has been delivered to the company, if a shareholder wishes to attend the shareholders' meeting in person or exercise his voting right in written or electronic form, he/she shall notify the company in writing of the revocation of the power of attorney two days before the shareholders' meeting. If the power of attorney is revoked after the expiration of the time limit, the voting right exercised by the agent shall prevail.

Article 5

The shareholders' meeting shall be held at the place where the company is located or at a place convenient for all shareholders to attend and suitable for holding meeting. The meeting shall not start earlier than 9 am or later than 3 pm. The opinions of independent directors shall be fully considered in deciding the place and time of the meeting.

Article 6

In the notice of meeting, the company shall state the time and place for the report of the shareholders, and other matters needing attention.

The reporting time for shareholders referred to in the preceding paragraph shall be handled at least 30 minutes before the commencement of the meeting; the reporting place should be clearly marked, and adequate personnel should be assigned to handle relevant affairs.

The shareholder himself or the agent entrusted by the shareholder (hereinafter referred to as the shareholder) shall present the attendance certificate, attendance card or other documents to attend the shareholders' meeting. The Company shall not arbitrarily add other certification documents required for the shareholder's attendance; Those who is a solicitor for power of attorney should bring along proof of identity for verification purposes.

The company shall set up a signature book for the attending shareholders, or asked the attending shareholders hand in the attendance card to sign in on

their behalf. The company shall deliver the meeting manual, annual report, attendance certificate, speech notes, voting votes and other meeting materials to the shareholders attending the shareholders' meeting; If there are directors to be elected, voting tickets shall be attached.

When the government or legal person is a shareholder, there could be more than one representative present at the shareholders' meeting. When a legal person is entrusted to attend a shareholders' meeting, only one representative may be appointed to attend.

Article 7

If the shareholders' meeting is convened by the board of directors, the chairman shall be the chairman. If the chairman asks for leave or is unable to exercise his powers for some reason, the vice chairman shall act as the deputy. If no vice chairman or the vice chairman asks for leave or is unable to exercise his powers for some reason, the chairman shall appoint a managing director to act as the deputy; if there is no managing director, a director shall be appointed to act as his agent. If the chairman of the board of directors does not appoint an agent, the managing director or the person elected by the directors shall act as his agent.

The chairman referred to in the preceding paragraph shall be a managing director or director who has been in office for more than six months and knows the financial and business status of the company. If the chairman is the representative of a corporate director, the same shall apply.

For the shareholders' meeting convened by the board of directors, the chairman of the board of directors should preside over the meeting in person, and more than half of the directors of the board of directors should attend the meeting in person, so should at least one representative of each functional committee member. The attendance record should be recorded in the minutes of the shareholders' meeting.

If the shareholders' meeting is convened by a person who have right to convene other than the board of directors, the duty of the chairman shall be performed by the person. If there are more than two persons with the right to convene, one of them shall be elected.

The company may appoint attorneys, accountants or related personnel to attend the shareholders' meeting.

Article 8

The company shall continuously record and video the whole process of shareholders' reporting, meeting process and vote counting from the time of shareholders' reporting.

The audio-visual materials mentioned shall be kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, the tickets shall be kept until the end of the lawsuit.

Article 9

The attendance of shareholders' meeting shall be calculated on the basis of shares. The number of shares present shall be calculated according to the signature book or the attendance cards, plus the number of shares in written or electronic form.

When it is the right time, the chairman shall immediately call the order, together announce the relevant information such as the number of non-voting rights and the number of shares present.

only when shareholders representing more than half of the total number of issued shares are not present may the chairman postpone the meeting for a maximum of two times, and the total postponement shall not exceed one hour. If there are still not enough shareholders representing more than one third of the total number of issued shares to attend the meeting after the second postponement, the chairman shall announce the meeting abortion.

If after the second postpone mentioned in the preceding paragraph, the quota is still insufficient and the shareholders representing more than one third of the total number of issued shares are present, it may be deemed as a false resolution in accordance with item 1 of Article 175 of the Company Act. The shareholders shall be informed of the false resolution and the shareholders' meeting shall be convened again within one month.

Before the end of the current meeting, if the number of shares represented by the shareholders present reaches more than half of the total number of issued shares, the chairman may, in accordance with article 174 of the Company Act, re-submit the resolution to the shareholders' meeting for voting.

Article 10

If a shareholders' meeting is convened by the board of directors, the agenda of the meeting shall be set by the board of directors. The relevant motions (including incidental motions and amendments to the original motions) shall be decided on a case-by-case voting basis. The meeting shall be conducted in accordance with the scheduled agenda and shall not be changed without the resolution of the shareholders' meeting.

If a shareholders' meeting is convened by a person who has the right to convene other than the board of directors, the provisions of the preceding paragraph shall apply mutatis mutandis.

Before the conclusion of motions (including incidental motions) on the agenda set out in the first two items, the chairman shall not break up the meeting without a resolution; If the chairman, in violation of the rules of procedure, announces the closure of the meeting, other members of the board of directors shall promptly assist the shareholders present in formulating procedures in accordance with the law and, with the consent of more than half of the voting rights of the shareholders present, elect another person to be the chairman to continue the meeting.

The chairman shall give full explanation and discussion of the motion and the amendment or incidental motion proposed by the shareholders, when the vote is considered available, he/she may announce the suspension of discussion, put forward a vote and arrange an appropriate time for voting.

Article 11

Before delivering a speech, the shareholder shall first fill in a speech note, stating the key points of his / her speech, the shareholder's account number (or attendance card number) and the name of the account. The chairman shall determine the order of the speech person.

If the shareholders present only propose a speech note but do not make a speech, it shall be deemed that they have not made a speech. If the content of the speech is inconsistent with the record of the speech, the content of the speech shall prevail.

For the same motion, each shareholder shall not make more than twice speeches without the consent of the chairman, and each time of the speech shall not exceed five minutes. If the shareholder's speech violates the provisions or exceeds the scope of the topic, the chairman may stop him or her.

When the shareholders present speak, other shareholders shall not interfere with their speeches except with the consent of the chairman and the speaking shareholders. The chairman shall stop the violators from time to time.

When a corporate shareholder appoints two or more representatives to attend the shareholders' meeting, only one person may speak on the same motion.

After the shareholders present speak, the chairman may reply in person or appoint relevant persons to reply.

Article 12

The votes of shareholders' meeting shall be calculated on the basis of shares.

The number of shares held by non-voting shareholders shall not be included in the total number of issued shares.

When a shareholder has his own interest in the matters of the meeting, which may be harmful to the interests of the company, he or she shall not join in voting, nor shall he or she exercise his voting right on behalf of other shareholders.

The number of shares not entitled to exercise the voting rights referred to in the preceding item shall not be included in the voting rights of the shareholders present.

Except for the trust enterprise or the stock affairs agency approved by the securities authority, when one person is entrusted by two or more shareholders at the same time, the voting rights of his agent shall not exceed 3% of the total voting rights of the issued shares, and the excess voting rights shall not be counted.

Article 13

Shareholders have one vote per share; however, this restriction shall not apply to those who are subject to restrictions or have no voting rights as listed in Item 2 of Article 179 of the Company Act.

When a director of the company holds more than half of the company's shares at the time of election, he or she shall not exercise his voting rights and shall not be included in the voting rights of the shareholders present.

When the company convenes a shareholders' meeting, it shall exercise its voting rights electronically and in writing; whether exercising their voting rights in written or electronic form, the method of exercise shall be specified in the notice of convening the shareholders' meeting. Shareholders who exercise their voting rights in writing or by electronic means shall be deemed to attend the shareholders' meeting in person. However, the amendment to the incidental motion and the original motion of the shareholders' meeting shall be deemed as abstention. Therefore, the company should avoid proposing the incidental motions and the amendment to the original motion.

If the voting rights mentioned in the preceding item are exercised in writing or by electronic means, the expression of intention shall be delivered to the company two days before the meeting. In case of repetition of the expression of intention, the first one shall prevail. However, this restriction shall not apply to those who have declared to revoke the previous expression of intention.

If a shareholder wishes to attend a shareholders' meeting in person after exercising his voting rights in writing or by electronic means, he shall revoke the expression of intention in the same way as exercising the voting rights mentioned in the preceding items two days before the shareholders' meeting; if the cancellation is overdue, the voting right shall be exercised in written or electronic form. If the voting right is exercised in written or electronic form and the agent is appointed to attend the shareholders' meeting, the voting right exercised by the agent shall prevail.

Unless otherwise stipulated by relevant laws and regulations and the articles of association, the voting of the motion shall be approved by a majority of the shareholders present. When voting, the chairman or his designated person shall announce the total number of voting rights of the shareholders present on a case by case basis, and then the shareholders shall also vote on a case by case basis. On the day after the shareholders' meeting, the results of the shareholders' consent, opposition and abstention shall be input into the public information observatory website.

When there is an amendment or substitution to the same motion, the order of voting shall be determined by the chairman considering the original motion. If one of the motions has been passed, the other motions will be deemed to be rejected and there is no need to vote again.

The person who monitors and counts the votes of a motion shall be designated by the chairman, but the person who monitors the votes shall be a shareholder.

The counting of votes or election motions at the shareholders' meeting shall be conducted in public at the shareholders' meeting. After the counting is completed, the voting results shall be announced on the spot, including statistical weights, and make into records.

Article 14

When the board of shareholders elect directors, it shall follow the relevant election rules set by the company, and announce the election results on the spot, including the list of directors elected and the number of voting tickets, the list of directors not elected and the number of voting tickets.

The voting tickets for the election matters mentioned in the preceding paragraph shall be sealed and signed by the watchers, properly kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the Company Act, the tickets shall be kept until the end of the lawsuit.

Article 15

The minutes of the resolutions of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to all shareholders within 20 days after the meeting. The minutes should be made and distributed electronically.

For the distribution of the minutes referred to in the preceding items, the company may input the announcement form on the public information observatory site.

The minutes of the meeting shall be recorded in accordance with the year, month, day, place of the meeting, the name of the chairman, the method of resolution, the essentials of the proceedings, and the voting results (including statistical weights). When there is the election of directors, the number of votes of each candidate shall be disclosed. It shall be kept permanently during the existence of the company.

Article 16

The number of shares acquired by the requisitioner and the number of shares represented by the entrusted agent shall be clearly disclosed in the shareholders' meeting by the company on the day of the shareholders' meeting in accordance with the prescribed format.

If the resolution of the shareholders' meeting contains material information as required by laws and regulations or by the Taiwan Stock Exchange Co., Ltd, the company shall transmit the content to the public information website within the specified time.

Article 17

Personnel handling the affairs of the shareholders' meeting shall wear identification cards or armbands.

The chairman may direct the provost officers or security personnel to assist in maintaining order at the venue. When provost officers or security personnel are present to maintain order, they should wear armbands or identification cards with the words "provost officers".

If the venue is equipped with sound system, the chairman may stop the shareholders from speaking with equipment not provided by the company.

If a shareholder violates the rules of procedure and disobeys the chairman's

correction, thus hindering the progress of the meeting, the chairman may direct the provost officers or security personnel to ask him to leave.

Article 18

When a meeting is in progress, the chairman may, at his discretion, announce a break. In the event of force majeure, the chairman may rule to suspend the meeting and, as the case may be, announce the time for resuming the meeting.

Before the conclusion of the proceedings (including incidental motions) scheduled by the shareholders' meeting, if the venue for the meeting can not be used at that time, the shareholders' meeting may decide to find another venue to continue the meeting.

The shareholders' meeting may, in accordance with article 182 of the Company Act, decide to postpone or resume the meeting within five days.

Article 19

This rule shall come into force after being approved by the resolution of the shareholders' meeting, and the same shall apply when they are amended or repealed.

Mercuries Life Insurance Co., Ltd

Comparison table and revised provisions on Procedures for Engaging in Derivatives Transactions

Revised provisions	Current provisions	Description:
<u>Article 1 Purpose and basis</u> In order to establish the risk management and internal control system for the company to engage in derivative financial products trading, so as to implement information disclosure and protect investment, the Procedures for <u>Engaging in Derivatives Transactions (hereinafter referred to as the procedures)</u> are formulated in accordance with the <u>Measures for the Implementation of Internal Control and Audit System in the Insurance Industry</u> and the <u>Measures for the Administration of Derivatives Transactions in the Insurance Industry</u> for compliance.	Article 1 In order to establish the risk management and internal control system for the company to engage in derivative financial products trading, so as to implement information disclosure and protect investment, the Procedures for Engaging in Derivatives Transactions (hereinafter referred to as the procedures) are formulated. <u>These procedures is handled in accordance with the measures for the implementation of the internal control and audit system of the insurance industry, article 36-1 of the securities and exchange law, Article 146 of the insurance law, the measures for the administration of derivatives transactions in the insurance industry, the criteria for the acquisition or disposal of assets by public companies and relevant laws and regulations.</u>	1. Adjust the wording according to the company's rules and regulations. 2. Article 36-1 of the securities and exchange law stipulates that "matters to be followed by a public company engaging in derivatives transactions shall be prescribed by the competent authority", and since the company is a public company, it is necessary to follow the "criteria for the acquisition or disposal of assets by public companies" and "administrative measures for the insurance industry engaging in derivatives transactions" when conducting derivatives transactions. 3. As the competent authority takes into account that banks, insurance companies, securities finance companies, securities dealers, futures dealers, leverage dealers and other financial franchised enterprises have applied other laws and regulations in line with their respective industries to conduct derivatives transactions or engage in derivatives transactions, item 2 of article 2 of the "criteria for the acquisition or disposal of assets by public companies" revised on 107.11.26 is expressly excluded from the application of section 4 of Chapter II of these standards in respect of derivatives transactions. It is proposed to amend the source of law basis of these procedures in accordance with the law.
<u>Article 2 Scope of application</u>	Article 2	Adjust the wording according

Financial derivatives referred to in these procedures refer to forward contracts, options contracts, futures contracts, leveraged margin contracts, exchange contracts, and combinations of the above contracts whose value is derived from specific interest rates, prices of financial instruments, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables, or a combination contract or structured commodity embedded in a derivative. The term "forward contract" does not include insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sale) contract.	Financial derivatives referred to in these procedures refer to forward contracts, options contracts, futures contracts, leveraged margin contracts, exchange contracts, and combinations of the above contracts whose value is derived from specific interest rates, prices of financial instruments, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables, or a combination contract or structured commodity embedded in a derivative. The term "forward contract" does not include insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sale) contract.	to the company's rules and regulations.
Article 3 trading principles and policies 1. Types of engaging in financial derivatives transactions The financial derivatives that this company may engage in are limited to those permitted by laws and regulations or approved by the competent authority; <u>in addition</u>, other securities designated by the competent authority and subject to the administrative measures for the insurance industry to engage in derivatives trading are also included in this procedure. (the middle part is omitted) 6. Provisions on transactions involving the linked subject matter of hedging derivatives that are different from the hedged items: (1) Before trading, the subject matter of hedging instruments and the hedged items should be specified in a formal written document, and it should be proved that there is a high correlation between the subject matter of hedging instruments and the	Article 3 trading principles and policies 1.Types of engaging in financial derivatives transactions The financial derivatives that this company may engage in are limited to those permitted by laws and regulations or approved by the competent authority; <u>besides</u>, other securities designated by the competent authority and subject to the administrative measures for the insurance industry to engage in derivatives trading are also included in this procedure. (the middle part is omitted) 6. Provisions on transactions involving the linked subject matter of hedging derivatives that are different from the hedged items: (1) Before trading, the subject matter of hedging instruments and the hedged items should be specified in a formal written document, and it should be proved that there is a high correlation between the subject matter of hedging instruments and the	1. The latter part of the specification text is to supplement other circumstances than the former part, so it should be adjusted to "in addition" to better express the original meaning of the specification. 2. There shall be a high degree of correlation between the subject matter of the link and the project to be hedged. As an example, it is proposed to add the definition of "high correlation" in accordance with Article 2 of the Measures for the Administration of Derivatives Transactions in the Insurance Industry.

hedged items (i.e. all <u>transaction history data in the past three months or more should be taken as a sample, the correlation coefficient between the price change rate or the rate of return of the hedged item and the linked subject matter of the hedging financial derivatives or its commodity combination should be more than 70%</u>). (2) In addition to complying with the provisions of the preceding items, a record shall be kept of the method or model for determining the composition and weight of a basket of currency hedging instruments, which shall be determined by the method or model mentioned above.	hedged items. (2) In addition to complying with the provisions of the preceding items, a record shall be kept of the method or model for determining the composition and weight of a basket of currency hedging instruments, which shall be determined by the method or model mentioned above.	
Article 4 Operation procedures (the above is omitted) (3) Senior director of investment related department 1.Ensure the implementation of this procedure and evaluate its suitability regularly. 2.Check and verify the list of counterparties and the limit of current trading amount. 3.Specify the trading personnel engaged in derivatives transactions and their authorized amount, and ensure that the trading personnel have sufficient professional knowledge or enough professional training. 4. Supervise the trading and profit and loss situation. In case of derivative financial products trading for the purpose of increasing investment efficiency, the profit and loss assessment report shall be prepared on	Article 4 Operation procedures (the above is omitted) (3) Senior director of investment related department 1.Ensure the implementation of this procedure and evaluate its suitability regularly. 2.Check and verify the list of counterparties and the limit of current trading amount. 3.Specify the trading personnel engaged in derivatives transactions and their authorized amount, and ensure that the trading personnel have sufficient professional knowledge or enough professional training. 4. Supervise the trading and profit and loss situation. In case of derivative financial products trading for the purpose of increasing investment efficiency, the profit and loss assessment report shall be prepared on	

a daily basis according to the fair value, and submitted to the chairman of the board, the general manager and the top risk management officer. However, if the conditions listed in the proviso to item <u>3</u> of article 7 are met, the compilation and reporting shall be carried out at least monthly. 5. The company shall review and sign the hedging plan for the financial derivatives of the specific liability position of the hedged project in a specific guarantee payment type. (4) Senior director of financial accounting department and senior director of audit department should ensure that the financial and accounting and internal audit personnel engaged in financial derivatives transactions shall have sufficient professional knowledge or adequate professional training. (5) Certified Actuary The company shall review and sign the hedging plan for the financial derivatives of the specific liability position of the hedged project in a specific guarantee payment type. (the middle part is omitted) (4) Risk management department 1. The personnel shall have the professional ability of risk management, and shall not hold any position in the derivatives transactions department. 2. When setting risk management limits, the ability of the company's own capital to bear risks should be assessed. 3. Evaluate the risk of derivatives transactions by risk measurement method, and report to the senior director of risk management	a daily basis according to the fair value, and submitted to the chairman of the board, the general manager and the top risk management officer. However, if the conditions listed in the proviso to item <u>2</u> of article 7 are met, the compilation and reporting shall be carried out at least monthly. 5. The company shall review and sign the hedging plan for the Financial derivatives of the specific liability position of the hedged project in a specific guarantee payment type. (4) Senior director of financial accounting department and senior director of audit department should ensure that the financial and accounting and internal audit personnel engaged in financial derivatives transactions shall have sufficient professional knowledge or adequate professional training. (5) Certified Actuary The company shall review and sign the hedging plan for the financial derivatives of the specific liability position of the hedged project in a specific guarantee payment type. (the middle part is omitted) (4) Risk management department 1. The personnel shall have the professional ability of risk management, and shall not hold any position in the derivatives transactions department. 2. When setting risk management limits, the ability of the company's own capital to bear risks should be assessed. 3. Evaluate the risk of derivative financial products trading by risk measurement method, and report to the senior director of risk	1. Correction of incorrect order of items, after comparison of the normative text and laws, the item "2" of article 7 should be item "3". 2. For the purpose of risk management of financial derivatives transactions under the criteria for the disposal of
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on a regular basis. 4. Items to be reported to the board of directors and risk management committee regularly: A. The total amount and net amount of unexpired transactions and unrealized gains and losses assessed at fair value. B. Performance evaluation and risk assessment report of derivatives transactions. (The following is omitted.)	management on a regular basis. 4. <u>Set up a reference book to record in detail the types and amounts of derivatives transactions, the date of approval by the board of directors and other relevant matters that should be carefully evaluated in the book for reference.</u> 5. Items to be reported to the board of directors and risk management committee regularly: A. The total amount and net amount of unexpired transactions and unrealized gains and losses assessed at fair value. B. Performance evaluation and risk assessment report of derivatives trading. (The following is omitted.)	assets acquired or disposed of by public companies, a reference book is set up as mentioned in Article 22. The purpose of the reference book is to publish in detail the relevant information and evaluation items of derivative financial products transactions in the reference book for management. As the company is a public offering company, it is required to set up a reference book in accordance with article 22 of the criteria for the disposal of assets acquired or disposed of by public offering companies. However, the company's daily report of derivatives information to the Taipei securities exchange has detailed and accurate information on the type and amount of transactions, and the financial derivatives that have been standardized by the "procedures for engaging in financial derivatives products transactions" approved by the board of directors have corresponding hierarchical authorization for the financial products. in addition, the company has established an independent risk management unit in accordance with Article 15 of administrative measures for the insurance industry engaging in derivatives transactions, which is responsible for the identification, measurement, monitoring, reporting and other risk management of derivatives trading, so there should be no need to set up another memo to manage risks. Besides, article 2 of the "criteria for the acquisition or disposal of assets by public offering companies" amended on 107.11.26 has explicitly excluded the application of the trading rules for derivatives in section 4 (articles 19 to 22) of Chapter II of these procedures. Thus,
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		it is proposed to delete the part of setting up reference book.(Article 4-5-4-4 is deleted) 3. Change of item numbers.
Article 5 Internal control system (the above is omitted) 5.Evaluation method and frequency 1.The company assesses the value, profit and loss of derivatives transactions at fair market value. 2.The confirmation operator of derivatives transactions shall regularly evaluate the total amount and net amount of unexpired contracts, and provide the report to the trading personnel, trading supervisor and risk management department. (The following is omitted.)	Article 5 Internal control system (the above is omitted) 5.Evaluation method and frequency 1.The company assesses the value, profit and loss of derivatives transactions at fair market value. 2.The confirmation operator of derivative financial products trading shall regularly evaluate the total amount and net amount of unexpired contracts, and provide the report to the trading personnel, trading supervisor and risk management department. <u>3. The risk management personnel shall evaluate the positions held by derivatives transactions at least once a week, but if it is necessary to handle hedging transactions for business, they shall evaluate at least twice a month, and submit the evaluation report to the senior managers of risk management.</u> (The following is omitted.)	The frequency of evaluation in article 5 (3) was originally determined in accordance with article 20, section 4, Chapter II of the "criteria for the acquisition or disposal of assets by public offering companies". As the positions held by the current derivatives transactions (except structured commodities) have been evaluated on a daily basis, the profit and loss part has also been calculated and settled every day, also, item 2 of Article 2 of the criteria for the acquisition or disposal of assets by public offering companies explicitly excludes the application of section 4 of Chapter II of these procedures in respect of derivatives transactions, item 3 of article 5 is deleted.
(this provision is deleted)	<u>Article 9 when a subsidiary of this company engages in derivatives transactions, it shall also follow these procedures.</u>	This article was originally formulated in accordance with article 7 of the criteria for the acquisition or disposal of assets by public offering companies, since the administrative measures for the insurance industry to engage in derivatives transaction that it is in line with currently is not related to the relevant norms of subsidiaries, and article 7 of

		the criteria for the acquisition or disposal of assets by public offering companies regulates the control procedures for the acquisition or disposal of assets by subsidiaries, together with the fact that the company does not have any subsidiaries at present, so it is proposed to delete this part in accordance with the law and current practice.
(this provision is deleted)	<u>Article 10 matters not covered in these procedures shall be handled in accordance with the insurance law, the administrative measures for the insurance industry to engage in derivatives transaction, the criteria for the acquisition or disposal of assets by public offering companies, the procedures for the acquisition or disposal of assets by the company and relevant laws and regulations.</u>	Article 10 is deleted because article 1 has already stated the source of law to be followed, so as to avoid repetition.
<u>Article 9 Supplementary provisions</u> <u>After being approved by the audit committee and the board of directors, the procedures shall be submitted to the board of shareholders for approval and to the competent authority for future reference, the same applies to the amendment.</u>	<u>Article 11</u> <u>After being approved by the audit committee and the board of directors, the procedures shall be submitted to the board of shareholders for approval and to the competent authority for future reference, the same applies to the amendment. If any director expresses objection with a record or written statement, the objection information shall be sent to the audit committee.</u> <u>The company has set up independent directors in accordance with the provisions of the securities exchange act. When submitting these procedures to the board of directors for discussion in accordance with the provisions in the preceding articles, the opinions of the independent directors shall also be fully considered. If the independent directors have any objections or reservations, they shall indicate them in the minutes of the board</u>	1. This article was originally formulated in accordance with article 6 of the criteria for the acquisition or disposal of assets by public offering companies and item 2 of Article 3 of the administrative measures for the insurance industry engaging in derivatives transactions. Article 12 of the administrative measures for the insurance industry engaging in derivatives transactions, which is followed by the derivatives transactions, has no provisions in the second item of article 1 and items 2 to 4 concerning the formulation or amendment of procedures, the company has set up an audit committee in accordance with the provisions of the securities exchange act, and the resolution procedures of the

	<u>meeting.</u> <u>The company has set up an audit committee in accordance with the provisions of the securities exchange act. The amendment of these procedures shall be approved by more than half of the members of the audit committee and submitted to the board of directors for resolution.</u> <u>If the preceding parts is not approved by more than half of all the members of the audit committee, it may be approved by more than two thirds of all the directors, and the resolution of the audit committee shall be indicated in the minutes of the board meeting.</u> <u>All members of the audit committee referred to in items 3 and all directors referred to in the preceding items shall only included those actually in office.</u>	audit committee have been handled in accordance with article 14-5 of the securities exchange act, therefore, to avoid repetition, the second part of item 1 and items 2 to 4 are deleted. 2. Change of article number.
(delete revision history)	<u>This procedure was amended on June 18, 2010.</u> <u>This procedure was amended on June 18, 2011.</u> <u>This procedure was amended on June 20, 2012.</u> <u>This procedure was amended on June 20, 2013.</u> <u>This procedure was amended on June 27, 2014.</u> <u>This procedure was amended on June 25, 2015.</u> <u>This procedure was amended on June 21, 2016.</u> <u>This procedure was amended on June 23, 2017.</u> <u>This procedure was amended on June 15, 2018.</u> <u>This procedure was amended on June 14, 2019.</u>	This revision history has been moved to the revision record table in accordance with the company's rules and regulations, so it is deleted.



三商美邦人壽保險股份有限公司
Mercuries Life Insurance Co., Ltd.

Procedures for Engaging in Derivatives Transactions

Department in charge: Investment Management Department

Date of preparation / revision: 2021.08.20

Revision record

Version	Date of preparation / revision	Summary of reasons and contents for preparation / revision	Department in charge	Remark
VO1	2010.06.18	1. As required by the insurance law and relevant laws and regulations, the insurance industry needs to formulate "procedures for engaging in derivatives transactions", so the contents of Chapter IV "engaging in derivatives transactions" of "procedures for acquiring or disposing of assets" are proposed, and the "procedures for engaging in derivatives transactions" are revised. 2. Due to the increase of overseas investment assets and foreign exchange related trading positions, the authorization limit for derivatives transaction is revised.	Investment Management Department	
VO2	2011.06.28	1. In order to cooperate with the operation of the company's OTC listing, the company's "procedures for engaging in derivatives transactions" (these procedures) are revised in accordance with the criteria for the acquisition or disposal of assets by public offering companies and the administrative measures for the insurance industry to engage in derivatives transaction". 2. Correct the name of the regulation based on the "criteria for the acquisition or disposal of assets by public offering companies". 3. In accordance with the administrative measures for the insurance industry engaging in derivatives transactions for the purpose of hedging transactions between currencies 4. Revise the evaluation frequency of positions held in derivatives transactions in accordance with the criteria for the disposal of assets acquired or disposed of by public companies. 5. Add the relevant provisions of the company's subsidiaries engaging in derivatives transactions. 6. The new revision of this procedure should follow the relevant provisions. 7. Please refer to the attachment	Investment Management Department	

		"comparison table of revised provisions on procedures for engaging derivatives transactions" for detailed amendments and explanations.		
VO3	2012.06.20	In order to cooperate with the operation of the company's OTC listing, the company's "procedures for engaging in derivatives transactions" (these procedures) are revised in accordance with the criteria for the acquisition or disposal of assets by public offering companies and the administrative measures for the insurance industry to engage in derivatives transaction"	Investment Management Department	
VO4	2014.06.27	1. In accordance with the regulations of the administrative measures for the insurance industry engaging in derivatives transactions, the transactions regulations for structured commodities are added. 2. In view of the fact that the company is engaged in derivatives transactions, authorize relevant personnel to handle it in accordance with the established processing procedures. It only regulates the reporting to the board of directors on a regular basis without specifying the period for reporting to the board of directors on a regular basis. Therefore, paragraph 2 of item 2 of article 1 is amended to specify that the reporting to the latest board of directors should be made for compliance. 3. In response to the growth of the company's assets, the hedging demand and risk types of hedging assets continuing to increase, therefore, it is proposed to add hedging items for derivatives for hedging purposes, and distinguish equity related derivatives (hedging purposes), foreign exchange related derivatives (hedging purposes), interest rate (credit) related derivatives (hedging purposes) and structural commodities, and the authorization of deputy chief investment officer / chief investment officer or above shall be relaxed at the same time. 4. The authorized amount of deputy chief investment officer is added.	Investment Management Department	

		- Adjust the authorization specification and express it as "review" and "decide". - Cooperate with the risk management department to co-ordinate the reference book of derivatives transactions, so specify the trading information that the investment department should provide on a regular basis		
VO5	2015.06.25	- In accordance with the "administrative measures for the insurance industry engaging in derivatives transactions" promulgated by the order Jin-Guan-Bao-Cai-Zi No. 10302509851 of the financial supervision committee on December 24, 2014, the company revised the "procedures for engaging in derivatives transactions". - For the authorization of item 4 of article 4, the words of "every day" and "case by case" are added, and the principle of authorization of the chief investor and the deputy chief investor is added at the end of the article, so as to make the meaning of the article clearer. - As for the amended article 4, item 5, paragraph 4, sub-paragraph 1, it is stated that "shall have the professional ability of risk management and shall not hold any position in the derivatives transactions department." For the purpose of standardizing the duties of natural persons, "personnel" is added to make the meaning clearer.	Investment Management Department	
VO6	2016.06.21	In accordance with the amendment Order Jin-Guan-Bao-Cai-Zi No. 10302500671 of the financial supervision committee (2016.02.17), the insurance industry shall regularly report the performance evaluation and risk evaluation report of structured commodity investment to the board of directors and the risk management committee; as stipulated in Article 4-5-4-5 amended.	Investment Management Department	
VO7	2017.06.23	In accordance with the "administrative measures for the insurance industry engaging in derivatives transactions"	Investment Management Department	

		promulgated by the order Jin-Guan-Bao-Cai-Zi No. 10502500671 of the financial supervision committee on February 17, 2016, the company revised the "procedures for engaging in derivatives transactions". 2. In accordance with the interpretation Order Jin-Guan-Bao-Cai-Zi No. 10502502071 of the financial supervision committee on 2016.07.01, the relevant provisions on hedging transactions in a basket of currencies for exchange rate hedging purposes are added. 3. In accordance with the interpretation Order Jin-Guan-Bao-Cai-Zi No. 10500960781 of the financial supervision committee 2016.12.29, the collateral management and outsourcing management specifications in the credit support annex for ISDA contracts is added.		
VO8	2018.06.15	1. Adjust the frequency of audit report issued by audit office from monthly to quarterly. 2. Since transaction authorization is a standard operation of management, in order to avoid the fact that the amendment of the authorization provisions must be approved by the shareholders' meeting every year before coming into force, therefore, the revised standard states that the authorized amount of various derivative financial products shall be handled in accordance with the "authorization measures for investment related departments" adopted by the resolution of the board of directors of the company.	Investment Management Department	
VO9	2019.06.14	Amended in line with the Article 4-1-1, of the "criteria for the acquisition or disposal of assets by public offering companies".	Investment Management Department	
V10	2021.8.20	1. Added the definition of "high correlation". 2. Adjust the wording of item 1 of Article 1 and correct the content misplaced in Article 4-1-3-4, and revise the content in accordance with the principles of the rules and regulations of the company. 3. Amendments of the source of law of this procedure.	Investment Management Department	

		4. Deletion of the establishment of the memorandum book. 5. Therefore, the frequency of weekly and monthly evaluation is deleted. 6. Deletion of the provisions of Article 9 concerning the transaction of financial derivatives conducted by subsidiaries. 7. Deletion of the provisions of approval procedure in the last paragraph of Item 1 and Items 2 to 4 in the original article 11.		
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Article 1 Purpose and basis

In order to establish the risk management and internal control system for the company to engage in derivative financial products trading, so as to implement information disclosure and protect investment, the Procedures for Engaging in Derivatives Transactions (hereinafter referred to as the procedures) are formulated in accordance with the Measures for the Implementation of Internal Control and Audit System in the Insurance Industry and the Measures for the Administration of Derivatives Transactions in the Insurance Industry for compliance.

Article 2 Scope of application

Financial derivatives referred to in these procedures refer to forward contracts, options contracts, futures contracts, leveraged margin contracts, exchange contracts, and combinations of the above contracts whose value is derived from specific interest rates, prices of financial instruments, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables, or a combination contract or structured commodity embedded in a derivative. The term "forward contract" does not include insurance contract, performance contract, after-sales service contract, long-term lease contract and long-term purchase (sale) contract.

Article 3 Transaction principles and policies

1. Types of engaging in financial derivatives transactions

The financial derivatives that this company may engage in are limited to those permitted by laws and regulations or approved by the competent authority; in addition, other securities designated by the competent authority and subject to the administrative measures for the insurance industry to engage in derivatives trading are also included in this procedure.

2. Main transaction partners

The company's trading partners in derivatives transactions are limited to exchanges approved by the competent authority and financial institutions that meet the credit rating requirements of the competent authority.

3. The purpose of hedging, the purpose of increasing investment efficiency, and the trading strategy of structured commodity investment

(1) The company is mainly engaged in derivatives transactions to ensure the company's net asset value and taking to avoid the risk of

loss due to exchange rate, interest rate, credit, asset price fluctuation or specific liability position as purpose; in addition, within the specified risk limit, engage in transactions for the purpose of increasing investment efficiency.

(2) The specific liability position referred to in this procedure refers to the liability position of the investment insurance commodity that should be deposited with the guaranteed payment reserve in the general account book.

(3) When investing in structured commodity, the company shall assess the recovery of the principal and increase the investment income by using derivative financial products under acceptable risk.

4. Limitation of contractual notional amount

(I) The total (nominal) value of a financial derivatives held for hedging purposes shall meet the following requirements:

1. Where the hedged project is an invested position, the total shall not exceed the total book value of the position of the hedged project.
2. If the hedged project is the expected investment position, its total amount shall not exceed that of the hedged project.
3. If the hedged item is a specific liability position, the total amount shall not exceed the guaranteed payment amount of the hedged item.

(II) The total contractual value of domestic and foreign financial derivatives held for the purpose of increasing investment efficiency shall not exceed 5% of the company's available funds, among which the foreign portion shall not exceed 3% of the company's available funds. Foreign financial derivatives shall be limited to the products derived from foreign financial products, and shall not involve the transactions of financial derivatives based on Taiwan's securities, securities portfolio, interest rate, exchange rate or index.

(III) For the purpose of increasing investment efficiency, the total contractual value of financial derivatives with the equity of a single company as the subject matter shall not exceed 0.5% of the company's available funds.

(IV) For hedging purposes, inter-currency forward foreign exchange transactions, exchange transactions, exchange for profit transactions and other exchange rate hedging transactions related to investment projects specified in the insurance law and the "insurance policies

for foreign investment management", and the total (nominal) value of the transaction contract shall not be included in the foregoing three items of the limit.

(V) The maximum amount of investment in structured goods under the regulations of the administrative measures for the insurance industry engaging in derivatives transactions shall not exceed 10% of the company's available funds, and shall meet the following conditions:

1. The final maturity date shall not exceed ten years.
2. If the final maturity date is less than five years, the break-even ratio of the principal due may be adjusted to more than 90%.
3. The operational risk of relevant financial derivatives shall be borne by the issuing institution.
4. The limit of investment in a single issuer or guarantee institution shall be subject to the investment limit stipulated in the company's "measures for risk management of domestic fixed income assets" and "measures for risk management of foreign and mainland fixed income assets".

5. Loss ceiling of total or individual contract

In case of the following circumstances, announcement and declaration shall be made immediately in accordance with relevant regulations:

- (1) When the total or individual contract losses of derivatives transactions undertaken by the company due to hedging are greater than the total (nominal) value of the contracts.
- (2) When the total or individual contract losses of derivatives transactions undertaken by the company due to increasing investment efficiency exceed 10% of the shareholders' equity of the company.

6. Provisions on transactions involving the linked subject matter of hedging derivatives that are different from the hedged items:

- (1) Before trading, the subject matter of hedging instruments and the hedged items should be specified in a formal written document, and it should be proved that there is a high correlation between the subject matter of hedging instruments and the hedged items (i.e. all transaction history data in the past three months or more should be taken as a sample, the correlation coefficient between the price change rate or the rate of return of the hedged item and the linked subject matter of the hedging financial derivatives or

its commodity combination should be more than 70%).

- (2) In addition to complying with the provisions of the preceding items, a record shall be kept of the method or model for determining the composition and weight of a basket of currency hedging instruments, which shall be determined by the method or model mentioned above.

Article 4 Operation procedures

1. Responsibilities of all levels

(1) Board of directors and audit committee

1. To approve the important policies and procedures for derivatives transactions and risk management, and to review them at least once a year.
2. To examine and approve the trading plan of financial derivatives for the purpose of increasing investment efficiency, which includes: the types of financial derivatives, the restrictions on the use of financial derivatives, the objectives and performance measurement methods for improving investment efficiency, and the risk limit management mechanism.
3. To examine and approve the application for hedging plan for financial derivatives transaction of specific liability positions with the hedged items of specific guarantee payment type, which includes the purpose and expected effect of hedging, the types and application criteria of financial derivatives, hedging trading strategies, the criteria for establishing hedging models, including the updating frequency, the analysis procedures and criteria for verifying the effectiveness of the models, the models or mathematical methods for calculating hedging effectiveness, and the calculation frequency, risk management mechanism (including the limit and evaluation frequency of hedging trading positions, the way and frequency of stress testing and the handling procedures in case of abnormal conditions), etc.
4. Designated senior executives are responsible for the management of derivatives transactions.

(2) Senior manager of risk management

1. To regularly assess the suitability of the risk management system of this procedure, and handle in accordance with this procedure, the administrative measures for insurance industry engaging in derivative financial products trading and relevant laws and regulations.
 2. The position of financial derivatives held should be reviewed monthly to assess whether the performance is in line with the established trading strategy (including the purpose of hedging, the purpose of increasing investment efficiency, and structured commodity investment) and whether the risks undertaken affect the financial soundness.
 3. To supervise the profit and loss situation of the transaction, and report to the board of directors in case of any abnormality.
 4. To review and sign the hedging plan for the financial derivatives of the specific liability position of the hedged project in the company in a specific guarantee payment type.
- (3) Senior director of investment related department
1. Ensure the implementation of this procedure and evaluate its suitability regularly.
 2. Check and verify the list of counterparties and the limit of current trading amount.
 3. Specify the trading personnel engaged in derivatives transactions and their authorized amount, and ensure that the trading personnel have sufficient professional knowledge or enough professional training.
 4. Supervise the trading and profit and loss situation. In case of derivative financial products trading for the purpose of increasing investment efficiency, the profit and loss assessment report shall be prepared on a daily basis according to the fair value, and submitted to the chairman of the board, the general manager and the top risk management officer. However, if the conditions listed in the proviso to item 3 of article 7 are met, the compilation and reporting shall be carried out at least monthly.
 5. To review and sign the hedging plan for the financial derivatives of the specific liability position of the hedged project in the company in a specific guarantee payment type.

(4) Senior director of financial accounting department and senior director of audit department should ensure that the financial and accounting and internal audit personnel engaged in financial derivatives transactions shall have sufficient professional knowledge or adequate professional training.

(5) Certified Actuary

To review and sign the hedging plan for the financial derivatives of the specific liability position of the hedged project in the company in a specific guarantee payment type.

2. Executive department

The company's derivatives transactions is jointly handled by the personnel of the investment related department, accounting department, finance department and risk management department according to their respective responsibilities, and supervised by the deputy general manager (or above) of each department, so as to give full consideration to the team operation and internal division of labor.

3. Representatives to execute ISDA contracts

The investment director authorized by the company may execute the relevant administrative matters of ISDA contract on behalf of the company (such as opening an account, signing relevant documents on behalf of the company, etc.); However, the decision on the transaction content and other substantive rights and obligations (such as transaction amount, transaction terms, etc.) involved in the contract shall still be handled in accordance with the relevant laws and regulations and the procedures prescribed by this company.

4. Authorization limit

The authorization limit of the company to engage in various financial derivatives shall be handled in accordance with the "authorization measures for investment related departments" adopted by the resolution of the board of directors of the company.

5. Division of rights and responsibilities

(1) Investment related departments

1. Familiar with financial derivatives and related laws and regulations, put forward trading strategies.
2. Trading within the authorized limit.
3. Confirm the content of the transaction.
4. Derivatives transactions traders and confirming personnel shall not hold concurrent posts with each other.

5. Report the total amount and the net amount of outstanding contracts to relevant personnel on a regular basis.
6. Provide the type and the amount of derivatives transactions to the risk management department on a regular basis.
7. Items to be reported to the board of directors and risk management committee regularly:
 - A. Comply with procedures for engaging in derivatives transactions.
 - B. For hedging derivatives transactions in which the hedged project is the expected investment position, if the difference in hedging effectiveness between the expected investment portfolio and the actual investment portfolio is more than 20%, the situation and reasons for the difference in hedging effectiveness shall be reported.

(2) Accounting department

1. Understand the nature of goods, contracts and transaction types, and make subpoenas according to various documents for proper registration.
2. Fully disclose the periodic financial reports in accordance with the standards for the preparation of financial reports for the insurance industry, the standards for the preparation of financial reports for securities issuers and generally accepted accounting principles.

(3) Financial department

Check with the accounting department and execute the delivery action after receiving the notice from the relevant investment department.

(4) Risk management department

1. The personnel shall have the professional ability of risk management and shall not hold any position in the derivatives transactions department.
2. When setting risk management limits, the ability of the company's own capital to bear risks should be assessed.
3. Evaluate the risk of derivative financial products trading by risk measurement method, and report to the senior director of risk management on a regular basis.
4. Items to be reported to the board of directors and risk management committee regularly:
 - A. The total amount and the net amount of unexpired transactions

and unrealized gains and losses assessed at fair value.

B. Performance evaluation and risk assessment report of derivatives trading.

6. Transaction process

- (1) Confirmation of transaction positions.
- (2) Related trend analysis and judgment.
- (3) To decide on specific measures to avoid risks.
- (4)
 1. The subject matter of the transaction.
 2. Transaction position.
 3. Target price and range.
 4. Transaction strategies and types.
- (5) Obtain approval for the transaction.
- (6) Execution of transactions.
- (7) Transaction confirmation.
- (8) Delivery.
- (9) Management report making and follow-up evaluation.

7. Frequency of regular reports to the board of directors and the risk management committee:

- (1) Those engaged in derivatives transaction for hedging purposes and structured commodity investment shall report to the board of directors and the risk management committee at least once every half a year.
- (2) Those engaged in hedging of financial derivatives for hedging of specific liability positions of specific guarantee payment types shall report to the board of directors and the risk management committee at least once for half a year.
- (3) Those engaged in derivatives transactions for the purpose of increasing investment efficiency shall report to the risk management committee monthly and then to the board of directors or its authorized unit. However, those who meet the following conditions shall report at least quarterly:
 1. An unexpired transaction refers to a transaction that is handled in accordance with Article 8 of the administrative measures for the insurance industry engaging in derivatives transactions, and the insurance industry has already established a database to store transaction related information.
 2. The lower one between those do not exceed NT \$50

million or 0.1% of the owner's equity of the insurance industry of the total amount of realized and unrealized losses during the duration of any transaction in the preceding item.

3. The lower one between those do not exceed NT \$1000 million or 0.2% of the owner's equity of the insurance industry of the total amount of realized and unrealized losses during the duration of any transaction in the item 1.

Article 5 Internal control system

1. Risk identification and assessment

The initial trading of financial derivatives shall be handled by the risk management department to identify and assess the risks of the products, and the subsequent trading shall ensure compliance with the internal risk management standards.

2. Assessment of legality

The trading of derivatives transactions shall be in accordance with the internal procedures and external laws and regulations.

3. Operation and management regulations

The relevant departments shall, in accordance with their respective responsibilities, incorporate the operating procedures for derivatives transactions into the department operation manual and regularly review their suitability.

4. Procedures for keeping transaction records

The confirmation operator of financial derivatives transactions shall prepare a transaction confirmation and submit it to the director of the relevant investment department for approval before delivering it to the accounting and financial departments for accounting and delivery. All written documents related to transactions shall be handled in accordance with the preservation procedures of the archives management regulations of each department.

5. Evaluation method and frequency

1. The company assesses the value, profit and loss of derivatives transactions at fair market value.
2. The confirmation operator of derivative financial products trading shall regularly evaluate the total amount and the net amount of unexpired contracts, and provide the report to the trading

personnel, trading supervisor and risk management department.

6. Abnormal situation reporting system

The senior executives of investment related departments shall supervise the trading and profit and loss situation, and report to the board of directors immediately in case of any abnormality; the senior head of the risk management department is also responsible for supervising the trading and profit and loss situation, take necessary measures in case of any abnormal situation and report to the board of directors immediately.

When the company has set up independent directors, the board of directors shall have independent directors present to express their opinions.

Article 6 Risk management system

1. Credit risk of counterparties:

It refers to the risk of loss caused by the failure of the counterparties' performance of the terms of the contract.

(1) When dealing in the over-the-counter market, the credit risk of the counterparties shall be assessed, and the trading limit shall be set according to the credit status of individual counterparties, which shall be managed at any time. Based on the principle of risk diversification, we should also avoid concentrating too many transactions on a single trading partner; To manage the credit support annex of ISDA contracts for the management of collateral agreed with counterparties, the internal risk management mechanism should be established, including the confirmation procedures for the evaluation of derivative financial product positions and collateral, receipt and payment of collateral, replacement of collateral, dispute settlement and interest management.

(2) If a domestic or foreign bank that can handle the operations mentioned in the preceding items according to law is entrusted to act as collateral management agency, it shall follow the following rules and authorize the general manager or his designated supervisor to be responsible for the management:

1. Criteria for selection and evaluation of collateral management institutions, including the qualifications of management institutions, selection and evaluation items, and

selection and evaluation procedures. The qualifications of management institutions shall at least include:

- (1) Rank among the top 500 banks in the world in terms of capital or assets in the past year.
 - (2) The credit rating of long-term debt in the latest year has been rated as A-level or above by foreign credit rating agencies.
2. Items including in the collateral collection and payment management contract signed with collateral management agency: the service content provided by the management organization, the responsibility and the obligation of the good manager, the confidentiality obligation, the calculation and payment method of the management fee, the cause of the contract termination, the dispute settlement, the breach of contract and its compensation liability, the litigation jurisdiction and the applicable law, the firewall mechanism between the unit responsible for collateral management and the unit dealing with financial derivatives within the management institution. When the competent authority considers it necessary, it may send or order the insurance industry to entrust accountants or other professionals to audit the implementation of the management of collateral by the management agency in accordance with the contract, and the management agency shall not refuse the relevant audit matters.
 3. An independent and effective risk management mechanism should include procedures for confirming the position of derivative financial products and collateral, receipt and payment of collateral, replacement of collateral, dispute settlement, interest management and other information provided by the collateral management agency.

2. Market price risk:

It refers to the risk of loss caused by the fluctuation of contract market price.

The trading staff shall calculate the amount of potential losses for their trading positions in accordance with the provisions, and if the amount exceeds the limit, they shall immediately notify the department head for appropriate treatment. However, this restriction shall not apply after the

hedging transaction has been reported to the senior manager of the risk management department.

3. Liquidity and cash flow risk

It refers to the risk of loss caused by the limitation of position compensation or the performance of contract terms when adverse situation occurs.

When conducting financial derivatives, trading staffs should consider the duration and volume of the contract to control the liquidity risk, and the execution department should control the maintenance rate of the margin account and fund allocation.

4. Operation risk:

It refers to the risk of possible loss due to human negligence, inadequate supervision or improper management.

Derivatives transactions traders, confirming personnel and delivery staffs shall not hold concurrent posts with each other. Traders and operators shall have sufficient professional knowledge of the products and receive regular professional training.

5. Legal risks:

It refers to the risk of loss caused by the execution department's failure to comply with relevant laws and regulations, or the loss of capacity of the counterparties.

When the executive department deals financial derivatives transactions, its operation planning and transaction execution shall follow the relevant laws and regulations issued by the competent authority; the contract and related documents to be signed shall be reviewed and approved by the legal staff.

6. System risk:

It refers to the market risk that cannot be dispersed through diversified investment.

Manager of risk management shall call a meeting to assess the impact of the event and propose contingency plans together with senior managers of investment related departments or other relevant departments, and report to the latest board of directors.

Article 7 Internal audit system

I. Internal audit framework

The audit unit of the company is subordinate to the board of directors. It carries out audit affairs in a detached and independent spirit and

reports to the board of directors and the audit committee on a regular basis.

II. Audit frequency

Internal auditors shall regularly check the appropriateness of internal control over financial derivatives transactions, conduct audit operations in accordance with the following principles, and prepare audit reports on a quarterly basis.

III. Principles of audit

- (1) Check the compliance with these procedures and laws and regulations.
- (2) When auditing internal control measures, it should include the functions of checking internal control and checking.
- (3) Assess the independence of risk management operations and the implementation of risk limits.
- (4) Verify the reliability of the source of the transaction documents.
- (5) Check the effectiveness of hedging in derivatives transactions for hedging purposes.

IV. Scope of audit

We shall follow the audit items and procedures of the company's audit office operation manual" on derivatives transactions.

V. Audit report submission procedure

The audit unit shall submit the audit report to the board of directors for approval. In case of major violations, the audit committee shall be notified in writing.

VI. Tracking of missing items improvement

The leading auditors shall continue to follow up and review the inspection opinions or missing items listed in the regular audit until improvement is completed, and list the follow-up assessment as the reporting items of the audit report.

Article 8 Accounting treatment system and information disclosure

1. The company's accounting treatment policies for financial derivatives are in accordance with generally accepted accounting principles and relevant laws and regulations. For items that are not clearly specified by domestic accounting standards, they shall be treated in accordance with international accounting standards.
2. Since this company is a public offering company, it shall, on a monthly basis, get into the information reporting website designated by the

competent authority the transactions of financial derivatives of this company and its subsidiaries that are not domestic public companies as of the end of the previous month in accordance with the prescribed format.

If there are errors or omissions in the announcement of items that should be announced according to the regulations, which should be corrected, all items should be announced and reported from the beginning. For any change, termination or cancellation of the relevant contract signed by the original transaction, the relevant information should also be announced and reported on the website designated by the competent authority within two days from the date of the fact occurrence.

Article 9 Supplementary provisions

After being approved by the audit committee and the board of directors, the procedures shall be submitted to the board of shareholders for approval and to the competent authority for future reference, the same applies to the amendment.