

MERCURIES & ASSOCIATES HOLDING, LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as those included in the consolidated financial statements of Mercuries & Associates Holding, Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Mercuries & Associates Holding, Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Mercuries & Associates Holding, Ltd.

Chen, Shiang-Li

Chairman

March 16, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Mercuries & Associates Holding, Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mercuries & Associates Holding, Ltd. and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors as described in the Other Matter section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mercuries & Associates Holding, Ltd. and its subsidiaries as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed 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 Attestation of Financial Statements by Certified Public Accountants and Standard on Auditing of the Republic of China. Our responsibilities under those standards are further described in the section of Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report. We are independent of Mercuries & Associates Holding, Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

The completeness and accuracy of recording insurance reserves

Description:

Please refer to Note 4.27 for the related accounting policy of the completeness and accuracy of recording insurance reserves, Note 5 about accounting judgments, key sources of estimates and uncertainty for insurance reserves, Note 6.22 and Note 12.7 for insurance reserves details, change and adjustment, and risk management and disclosure of insurance contract.

Various insurance reserves of Mercuries Life Insurance are provided by actuary in accordance with the “Guidelines for Insurance Enterprises Handling All Statutory Reserves” based on their professional judgment and experience. The insurance reserves are estimated for different types of insurance, and thus, the provision process of these reserves has a high degree of complexity. Liability reserves involve significant judgment from management due to uncertainty of estimation. In addition, to ensure the adequacy of the insurance liabilities recognition, significant judgment to the final total settlement value of each insurance claims is required. The Company should assess its adequacy of liabilities through estimated 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 should be recognized as liability adequacy reserve. Therefore, this matter needs significant attention in our audit.

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

1. Testing the effectiveness of the design and implementation of internal controls within the financial reporting process that are related to insurance reserves, which include testing the controls responsible for ascertaining the completeness and accuracy of the policy information.
2. Performing the analysis on movements and recognition of insurance reserves and checking whether the related information and carrying amount of the worksheet are accurate.
3. Testing samples on 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”.
4. Assess the appropriateness of the disclosure that are related to insurance reserves.

Valuation of investment assets

Description:

Please refer to Note 4.11 for the related accounting policy of valuation of investment, Note 5 about accounting judgments, key sources of estimates and uncertainty for investment assets valuation, Note 12.2 to 12.4 for valuation details and risk management of financial assets.

The subsidiary Mercuries Life Insurance's fair value measurement of financial assets at fair value through profit or loss and fair value through other comprehensive income for debt instrument without an active market is determined by observable input parameters obtained either directly or indirectly in inactive markets. The fair value is estimated on the basis of the results of various valuation techniques, which is based on professional judgment by the Company's management. In addition, debt instruments that 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, this matter needs significant attention in our audit.

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

1. Performing an assessment over the investment cycle of its initial recognition, subsequent measurements and their disclosures on financial statements.
2. Inspecting the accounting policies related to fair value measurements and disclosures of financial instruments of the Company.
3. 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.
4. Assessing the reasonableness of significant assumptions, fair value and the valuation sources according to the relevant information obtained from external sources.
5. 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.

The completeness and accuracy of retail sales revenue

Description:

Please refer to Note 4.32 for the related accounting policy of retail sales revenue.

Retail sales revenue of Mercuries & Associates, Ltd. and Simple Mart Retail Co., Ltd. are recorded by point-of-sale (POS) terminals, which collect the merchandise information of item names, quantity, sales price and total sales amount of each transaction using pre-established merchandise master file data (which contains information such as item name, cost of purchase, retail price, combination sales promotions, etc.). After the daily closing process, each store manager uploads their sales information to the Enterprise Resource Planning ("ERP") system, which summarizes all sales and automatically generates sales revenue journal entries. Each store manager also prepares a daily cash report, which summarizes amounts of sales, types of collections and cash deposited to the bank.

As retail sales revenue comprises numerous small amount transactions and highly relies on the POS and ERP systems, the process of summarizing and recording sales revenue by these systems is important with regard to the completeness and accuracy of the retail sales revenue. Therefore, this matter needs significant attention in our audit.

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

1. Inspecting and checking whether additions and changes to the merchandise master file data had been properly approved and supported by the relevant documents.
2. Inspecting and checking whether approved additions and changes to the merchandise master file data had been correctly entered in the merchandise master file.
3. Inspecting and checking whether merchandise master file data had been periodically transferred to POS terminal in stores.
4. Inspecting and checking whether sales information in POS terminals had been periodically and completely transferred to the ERP system and verify the daily cash reports and accounting information in stores.
5. Inspecting daily cash reports and relevant documents.
6. Inspecting cash deposit amounts recorded in daily cash reports and agreed them to bank remittance amounts.

Emphasis of matter paragraph

As described in Note 12.15 to the consolidated financial statements, Mercuries Life Insurance Co., Ltd. has resolved by the board of directors to change the business model for managing its financial assets on December 6, 2022 and designate the date of reclassification on January 1, 2023. Accordingly, we do not modify our audit opinion.

Other matter

As described in Note 4.4, we did not audit the financial statements of certain consolidated subsidiaries which were audited by other auditors. Thus, the amounts and information of the subsidiaries shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. Total assets of these subsidiaries were \$14,900,545 thousand and \$13,668,201 thousand, constituting 1.00% and 0.96% of the total consolidated assets as of December 31, 2022 and 2021 respectively, and total comprehensive income were \$658,269 thousand and \$554,180 thousand, constituting (3.27)% and (200.84)% of total consolidated comprehensive income for the years ended December 31, 2022 and 2021, respectively. As described in Note 6.10, the financial statements of certain investee companies under equity method were audited by other auditors. Thus, the amounts and information of those investee companies shown within are in accordance with the audit reports assured by other auditors whose reports thereon have been furnished to us. The investments in the aforementioned investee companies were amounted to \$5,924,375 thousand and \$3,805,152 thousand, constituted 0.40% and 0.27% of the total consolidated asset as of December 31, 2022 and 2021, respectively, and the recognized shares of profit of associates and joint ventures accounted for under equity method of these investee companies were \$204,063 thousand and \$641,520 thousand, constituted (1.49)% and 99.27% of the consolidated profit before income tax for the years ended December 31, 2022 and 2021, respectively.

We have audited the parent company only financial statements of Mercuries & Associates Holding, Ltd. and expressed an unqualified opinion with other matter paragraph as of and for the years ended December 31, 2022 and 2021.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Mercuries & Associates Holding, Ltd. and its subsidiaries 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 Mercuries & Associates Holding, Ltd. and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of Mercuries & Associates Holding, Ltd. and its subsidiaries.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

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

As part of an audit in accordance with Standard on Auditing of 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mercuries & Associates Holding, Ltd. and its subsidiaries 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 Mercuries & Associates Holding, Ltd. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Mercuries & Associates Holding, Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Mercuries & Associates Holding, Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kun-His Hsu and Shu-Chen Chang.

BDO Taiwan

BDO TAIWAN

March 16, 2023

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Assets	Notes	December 31, 2022	%	December 31, 2021	%	Liabilities & Stockholders' Equity	Notes	December 31, 2022	%	December 31, 2021	%
Current assets						Current liabilities					
Cash and cash equivalents	6.1	\$50,249,445	3.38	\$100,356,813	7.03	Short-term borrowings	6.15	\$1,397,000	0.09	\$590,000	0.04
Financial assets at fair value through profit or loss - current	6.2	108,705	0.01	360,401	0.03	Short-term notes and bills payable	6.16	779,930	0.05	949,985	0.07
Financial assets at fair value through other comprehensive income - current		141	-	127	-	Contract liabilities - current		942,198	0.06	780,485	0.05
Financial assets at amortized cost - current		17,673	-	39,334	-	Accounts payable	6.17	6,664,901	0.45	8,254,651	0.58
Contract assets - current		342,028	0.02	509,754	0.04	Commissions payable		799,455	0.05	873,230	0.06
Accounts receivable, net	6.3	11,020,414	0.74	14,112,961	0.99	Claims and benefits payable		694,034	0.05	699,858	0.05
Current income tax assets		743,391	0.05	463,268	0.03	Due to reinsurers and ceding companies		1,558,138	0.10	1,315,863	0.09
Inventories	6.4	5,474,454	0.37	4,539,620	0.32	Current income tax liabilities		148,675	0.01	141,307	0.01
Prepayments		1,080,600	0.07	471,280	0.03	Advanced receipts		98,037	0.01	123,413	0.01
Reinsurance contract assets, net	6.5	2,204,688	0.15	1,629,869	0.11	Long-term liabilities - current portion	6.20	14,678	-	-	-
Other current assets		188,731	0.01	168,771	0.01	Lease liabilities - current	6.12	1,208,545	0.09	1,314,353	0.09
Bills discounted and loans, net	6.6	69,256,217	4.67	70,474,553	4.94	Other current liabilities		222,307	0.02	481,095	0.04
Sub-total		140,686,487	9.47	193,126,751	13.53	Sub-total		14,527,898	0.98	15,524,240	1.09
						Non-current liabilities					
						Financial liabilities at fair value through profit or loss - non-current	6.18	3,424,218	0.23	127,201	0.01
						Contract liabilities - non-current		8,196	-	10,644	-
						Bonds payable	6.19	10,356,454	0.70	10,341,380	0.72
						Long-term borrowings	6.20	9,021,392	0.61	6,030,000	0.42
						Other long-term liabilities	6.20	4,108	-	-	-
						Provisions - non-current	6.21	1,259,104,135	84.74	1,203,579,402	84.34
						Separate account liabilities for unit-linked products	6.14	143,001,896	9.62	136,143,090	9.54
						Guarantee deposits received		2,537,719	0.17	1,814,258	0.13
Non-current assets						Lease liabilities - non-current	6.12	3,018,301	0.20	2,749,701	0.19
Financial assets at fair value through profit or loss - non-current	6.7	79,201,415	5.33	63,596,148	4.46	Deferred tax liabilities	6.34	7,559,016	0.51	1,627,100	0.11
Financial assets at fair value through other comprehensive income - non-current	6.8	44,507,311	3.00	46,041,385	3.23	Other non-current liabilities		1,610,788	0.10	1,873,695	0.14
Financial assets at amortized cost - non-current	6.9	1,000,833,858	67.36	919,991,107	64.47	Sub-total		1,439,646,223	96.88	1,364,296,471	95.60
Investments accounted for under equity method	6.10	6,020,037	0.41	3,902,840	0.27	Total Liabilities		1,454,174,121	97.86	1,379,820,711	96.69
Property, plant and equipment	6.11	18,810,716	1.27	19,391,729	1.36	Equity attributable to owners of the parent					
Right-of-use assets	6.12	4,109,008	0.28	3,937,272	0.28	Share Capital	6.27				
Investment property, net	6.13	21,697,576	1.46	26,130,520	1.83	Common stock		9,224,957	0.62	9,131,067	0.64
Intangible assets		260,249	0.02	204,797	0.01	Capital collected in advance		-	-	2,553	-
Deferred tax assets	6.34	16,054,191	1.07	7,886,160	0.55	Capital surplus	6.28	2,749,366	0.19	2,455,481	0.17
Other non-current assets	6.14	153,662,973	10.33	142,837,794	10.01	Retained earnings	6.29				
Sub-total		1,345,157,334	90.53	1,233,919,752	86.47	Legal reserve		2,753,775	0.19	2,575,337	0.18
						Special reserve		5,990,502	0.40	5,566,015	0.39
						Unappropriated earnings(Accumulated deficit)		(2,534,742)	(0.17)	4,854,079	0.34
						Other equity	6.31	(7,519,412)	(0.51)	(4,375,416)	(0.31)
						Treasury stock	6.30	(488,279)	(0.03)	(488,279)	(0.03)
						Total equity attributable to owners of the parent		10,176,167	0.69	19,720,837	1.38
						Non-controlling interests	6.32	21,493,533	1.45	27,504,955	1.93
						Total Equity		31,669,700	2.14	47,225,792	3.31
Total assets		\$1,485,843,821	100.00	\$1,427,046,503	100.00	Total Liabilities and Equity		\$1,485,843,821	100.00	\$1,427,046,503	100.00

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Item	Notes	2022	%	2021	%
Operating revenue					
Interest income		\$34,804,381	16.65	\$31,410,434	16.67
Premiums income	6.25	79,854,971	38.21	94,097,770	49.95
Commission on reinsurance ceded		44,631	0.02	41,304	0.02
Fee income		2,564,506	1.23	2,380,291	1.26
Share of profit of associates and joint ventures accounted for under equity method	6.10	218,170	0.10	655,579	0.35
Separate account revenue for unit-linked products	6.14	519,967	0.25	9,503,814	5.05
Gain on financial assets (liabilities) measured at fair value through profit or loss		-	-	9,420,132	5.00
Realized gains on financial assets measured at fair value through other comprehensive income		-	-	121,295	0.06
Gain arising from derecognition of financial assets measured at amortized cost		2,026,181	0.97	8,063,423	4.28
Net sales revenue					
Sales revenue		28,482,918	13.63	27,765,649	14.74
Sales returns		(28,602)	(0.01)	(20,935)	(0.01)
Sales discounts and allowances		(4,530)	-	(2,310)	-
Rental income		379,834	0.18	412,054	0.22
Service revenue		594,192	0.28	556,178	0.30
Gain on disposal of investments		254,776	0.12	644,471	0.34
Gain on disposal of property, plant and equipment		-	-	108,055	0.06
Gain on investment property		1,820,218	0.87	793,476	0.42
Reserve for fluctuation of foreign exchange movement	6.22	(6,969,055)	(3.33)	(161,061)	(0.09)
Profit reclassified by applying overlay approach	6.7	3,221,236	1.54	2,053,002	1.09
Gain on reversal of expected credit impairment loss		-	-	72,924	0.04
Gain on foreign exchange		60,511,196	28.95	-	-
Other income		705,977	0.34	457,657	0.25
Total operating revenue		<u>209,000,967</u>	<u>100.00</u>	<u>188,373,202</u>	<u>100.00</u>
Operating cost					
Interest expenses		(149,100)	(0.07)	(110,320)	(0.06)
Underwriting expenses		(30,728)	(0.01)	(32,127)	(0.02)
Commission expenses		(5,639,225)	(2.70)	(6,031,793)	(3.20)
Insurance claims and benefits	6.26	(90,985,803)	(43.53)	(73,537,826)	(39.04)
Other insurance liabilities movement		(22,550,576)	(10.79)	(50,112,107)	(26.60)
Separate account expenses for unit-linked products	6.14	(519,967)	(0.25)	(9,503,814)	(5.05)
Loss on financial assets (liabilities) measured at fair value through profit or loss		(67,875,521)	(32.48)	-	-
Realized losses on financial assets measured at fair value through other comprehensive income		(283,405)	(0.14)	-	-
Cost of goods sold		(20,163,000)	(9.65)	(19,885,264)	(10.56)
Service cost		(12,856)	(0.01)	(12,865)	(0.01)
Operating expenses					
Selling expense		(5,937,541)	(2.84)	(5,795,024)	(3.08)
General and administrative expenses		(6,958,141)	(3.33)	(6,761,627)	(3.59)
Research and development expenses		(251,830)	(0.12)	(225,503)	(0.12)
Loss on disposal of property, plant and equipment		(21,291)	(0.01)	-	-
Loss on impairment losses		(2,023)	-	(2,038)	-
Loss on expected credit impairment loss		(798,904)	(0.38)	-	-
Loss on foreign exchange		-	-	(15,137,458)	(8.04)
Other expense		(554,351)	(0.26)	(579,221)	(0.29)
Total operating cost		<u>(222,734,262)</u>	<u>(106.57)</u>	<u>(187,726,987)</u>	<u>(99.66)</u>
Profit (loss) before income tax from continuing operations		(13,733,295)	(6.57)	646,215	0.34
Income tax (expenses) benefits	6.34	1,142,229	0.55	1,965,773	1.05
Net profit (loss) from continuing operations		<u>(12,591,066)</u>	<u>(6.02)</u>	<u>2,611,988</u>	<u>1.39</u>
Net profit (loss)		<u>(12,591,066)</u>	<u>(6.02)</u>	<u>2,611,988</u>	<u>1.39</u>
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gain (loss) on remeasurements of defined benefit plans		(10,527)	(0.01)	(40,931)	(0.02)
Revaluation reserve of property	6.11	1,207,998	0.58	-	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(392,716)	(0.19)	254,537	0.14
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		(121,252)	(0.06)	104,451	0.06
Income tax relating to components	6.34	(90,257)	(0.04)	(12,879)	(0.01)
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		21,032	0.01	(4,626)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income		(5,605,545)	(2.68)	(1,326,754)	(0.70)
Other comprehensive income (loss) on reclassification under the overlay approach	6.7	(3,221,236)	(1.54)	(2,053,002)	(1.09)
Income tax relating to components	6.34	670,128	0.32	191,285	0.09
Other comprehensive income (loss)		<u>(7,542,375)</u>	<u>(3.61)</u>	<u>(2,887,919)</u>	<u>(1.53)</u>
Total comprehensive income (loss)		<u>(20,133,441)</u>	<u>(9.63)</u>	<u>(275,931)</u>	<u>(0.14)</u>
Profit (loss) attributable to:					
Shareholders of the parent		(5,089,794)	(2.43)	1,890,261	1.00
Non-controlling interests		(7,501,272)	(3.59)	721,727	0.39
Total		<u>(12,591,066)</u>	<u>(6.02)</u>	<u>2,611,988</u>	<u>1.39</u>
Comprehensive income (loss) attributable to:					
Shareholders of the parent		(8,348,400)	(3.99)	692,062	0.37
Non-controlling interests		(11,785,041)	(5.64)	(967,993)	(0.51)
Total		<u>\$(20,133,441)</u>	<u>(9.63)</u>	<u>\$(275,931)</u>	<u>(0.14)</u>
Earnings per share					
Income (loss) from continuing operations, net of income tax		<u>\$(5.82)</u>		<u>\$2.17</u>	
Basic earnings (loss) per share (in dollars)	6.35	<u>\$(5.82)</u>		<u>\$2.17</u>	
Diluted earnings per share (in dollars)	6.35	<u>\$-</u>		<u>\$1.95</u>	
The pro forma net income and earning per share if accounting for treasury stock had not been adopted are as follows:					
Pro forma after income tax		<u>\$(5,042,001)</u>		<u>\$1,938,231</u>	
Earnings per share		<u>\$(5.47)</u>		<u>\$2.11</u>	

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021

UNIT : NTD (In Thousands)

Summary	Equity Attributable to Shareholders of the Parent														Non-Controlling Interest	Total
	Share Capital		Capital Surplus	Retained Earnings			Other Equity Interests					Treasury Stock	Subtotal			
	Common Stock	Share capital collected in advance		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Arising on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Revaluation Reserve of Properties	Reclassification to Other Comprehensive Income Due to The Overlay Approach	Others					
Balance on January 1, 2021	\$9,093,510	\$0	\$2,032,125	\$2,464,186	\$4,068,090	\$5,590,916	\$(16,259)	\$99,710	\$0	\$(3,177,107)	\$6,643	\$(532,672)	\$19,629,142	\$27,185,239	\$46,814,381	
Appropriation earnings 2020																
Legal reserve	-	-	-	111,151	-	(111,151)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	1,500,716	(1,500,716)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(909,351)	-	-	-	-	-	-	(909,351)	-	(909,351)	
Stock options from issuing convertible bonds	-	-	77,332	-	-	-	-	-	-	-	-	-	77,332	-	77,332	
Effects of changes in ownership interest from investee	-	-	228,275	-	-	(165,423)	-	-	-	-	-	-	62,852	-	62,852	
Changes in unappropriated retained earnings of investees	-	-	-	-	-	(30,661)	-	-	-	-	-	-	(30,661)	-	(30,661)	
Changes in capital surplus of investees	-	-	(38,369)	-	-	-	-	-	-	-	-	-	(38,369)	-	(38,369)	
Net profit (loss)	-	-	-	-	-	1,890,261	-	-	-	-	-	-	1,890,261	721,727	2,611,988	
Other comprehensive income (loss)	-	-	-	-	-	104,452	(4,340)	(456,151)	-	(842,160)	-	-	(1,198,199)	(1,689,720)	(2,887,919)	
Conversion of convertible bonds	37,557	2,553	46,684	-	-	-	-	-	-	-	-	-	86,794	-	86,794	
Disposal of common stock of the Company held by subsidiaries	-	-	55,826	-	-	-	-	-	-	-	-	44,393	100,219	-	100,219	
Dividends from the Company received by subsidiaries	-	-	47,970	-	-	-	-	-	-	-	-	-	47,970	-	47,970	
Differences of acquisition or disposal price and book value of subsidiaries	-	-	5,638	-	-	-	-	-	-	-	-	-	5,638	-	5,638	
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	1,287,709	1,287,709	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(330)	-	330	-	-	-	-	-	-	-	
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	-	(13,918)	-	13,918	-	-	-	-	-	-	-	
Changes in special reserve of investees	-	-	-	-	(2,791)	-	-	-	-	-	-	-	(2,791)	-	(2,791)	
Balance on January 1, 2022	\$9,131,067	\$2,553	\$2,455,481	\$2,575,337	\$5,566,015	\$4,854,079	\$(20,599)	\$(342,193)	\$0	\$(4,019,267)	\$6,643	\$(488,279)	\$19,720,837	\$27,504,955	\$47,225,792	
Appropriation earnings 2021																
Legal reserve	-	-	-	178,438	-	(178,438)	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	424,487	(424,487)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(913,362)	-	-	-	-	-	-	(913,362)	-	(913,362)	
Stock dividends	91,337	-	-	-	-	(91,337)	-	-	-	-	-	-	-	-	-	
Effects of changes in ownership interest from investee	-	-	-	-	-	(534,208)	-	-	-	-	-	-	(534,208)	-	(534,208)	
Changes in unappropriated retained earnings of investees	-	-	-	-	-	(35,942)	-	-	-	-	-	-	(35,942)	-	(35,942)	
Changes in capital surplus of investees	-	-	245,971	-	-	-	-	-	-	-	-	-	245,971	-	245,971	
Allocation of compensation cost of investees	-	-	-	-	-	-	-	-	-	-	(6,643)	-	(6,643)	-	(6,643)	
Net profit (loss)	-	-	-	-	-	(5,089,794)	-	-	-	-	-	-	(5,089,794)	(7,501,272)	(12,591,066)	
Other comprehensive income (loss)	-	-	-	-	-	(121,253)	10,487	(2,232,161)	429,596	(1,345,275)	-	-	(3,258,606)	(4,283,769)	(7,542,375)	
Advance receipts for common stock transferred to common stock	2,553	(2,553)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends from the Company received by subsidiaries	-	-	47,792	-	-	-	-	-	-	-	-	-	47,792	-	47,792	
Differences of acquisition or disposal price and book value of subsidiaries	-	-	122	-	-	-	-	-	-	-	-	-	122	-	122	
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	5,773,619	5,773,619	
Balance on December 31, 2022	\$9,224,957	\$0	\$2,749,366	\$2,753,775	\$5,990,502	\$(2,534,742)	\$(10,112)	\$(2,574,354)	\$429,596	\$(5,364,542)	\$0	\$(488,279)	\$10,176,167	\$21,493,533	\$31,669,700	

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

Items	UNIT : NTD (In Thousands)	
	2022	2021
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	(\$13,733,295)	\$646,215
Adjustments for		
Income and expenses having no effect on cash flows		
Depreciation	2,361,032	2,327,466
Amortization	119,369	145,306
Net change in insurance liabilities	22,839,386	50,332,304
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	67,862,019	(9,420,132)
Net gain on financial assets or liabilities at fair value through other comprehensive income	271,031	(121,295)
Interest expense	537,007	524,050
Net gain arising from derecognition of financial assets measured at amortized cost	(2,026,181)	(8,063,423)
Interest income	(34,804,381)	(31,410,434)
Net change in reserve for fluctuation of foreign exchange movement	6,969,055	161,061
Reversal of expected credit impairment losses on investments	792,353	(70,451)
Expected credit impairment losses (gains) on non-investments	8,500	(439)
Share-based payments	141,300	22,620
Share of profit of associates and joint ventures accounted for under equity method	(218,170)	(655,579)
(Profit) loss reclassified by applying overlay approach	(3,221,236)	(2,053,002)
Loss on disposal of property, plant and equipment	(149,298)	(88,214)
Gain on disposal of investment property	(1,292,975)	(216,296)
Gain on rights transferred of the sale and leaseback	47,965	-
Gain on fair value adjustment of investment property	(59,792)	(37,210)
Rent revenue of leaseback	(1,522)	-
Loss on disposal of intangible assets	-	7
Loss on unrealized foreign exchange	(85,481,172)	7,116,373
Net cash generated from Income and expenses having no effect on cash flows	(25,305,710)	8,492,712
Changes in assets and liabilities related to operating activities		
Changes in assets related to operating activities:		
(Increase) decrease in financial assets at fair value through profit or loss	(83,390,141)	28,369,283
(Increase) decrease in accounts receivable	3,009,469	(3,250,552)
(Increase) decrease in inventories	(934,834)	(109,812)
(Increase) decrease in prepayments	(352,777)	98,619
(Increase) decrease in contract assets	167,726	(100,513)
(Increase) decrease in other current assets	(19,960)	50,381
(Increase) decrease in reinsurance contract assets	(333,722)	(442,713)
(Increase) decrease in other assets	(457,907)	(154,445)
Net cash generated from changes in assets related to operating activities	(82,312,146)	24,460,248
Changes in liabilities related to operating activities:		
Increase (decrease) in accounts payable	(1,382,347)	531,701
Increase (decrease) in provisions	(183,333)	(205,808)
Increase (decrease) in contract liabilities	159,266	(130,138)
Increase (decrease) in other liabilities	(140,627)	(196,933)
Others	24,975,979	(7,498,124)
Net cash generated from changes in liabilities related to operating activities	23,428,938	(7,499,302)
Net cash generated from changes in assets and liabilities related to operating activities	(58,883,208)	16,960,946
Total adjustments	(84,188,918)	25,453,658
Cash inflow generated from operations		
Interest received	31,227,408	38,197,404
Dividends received	3,648,019	2,257,783
Interest paid	(576,399)	(491,768)
Income taxes paid	(786,768)	438,346
Net cash flows generated from (used in) operating activities	(64,409,953)	66,501,638
Cash flows from (used in) investing activities		
Decrease in loans	1,248,753	(189,638)
Acquisition of financial assets at fair value through profit or loss	(31,111)	-
Proceeds from disposal of financial assets at fair value through profit or loss	266,421	-
Acquisition of financial assets at fair value through other comprehensive income	(13,837,870)	(25,660,480)
Proceeds from disposal of financial assets at fair value through other comprehensive income	9,513,393	23,509,874
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	27,978	116,013
Acquisition of financial assets at amortized cost	(54,402,954)	(245,276,160)
Proceeds from disposal of financial assets at amortized cost	23,651,659	56,254,415
Proceeds from repayments of financial assets at amortized cost	35,175,278	81,244,104
Acquisition of investment accounted for under equity method	(2,371,500)	(373,500)
Disposal of investments accounted under the equity method	397,198	1,120,689
Acquisition of subsidiary	1,023	-
Acquisition of property, plant and equipment	(2,889,033)	(5,024,758)
Proceeds from disposal of property, plant and equipment	1,190,830	159,881
Decrease (increase) in guarantee deposits	806,935	243,838
Acquisition of intangible assets	(164,258)	(72,256)
Acquisition of investment property	(8,537)	(19,245)
Proceeds from disposal of investment property	8,281,337	1,392,600
Net cash flows generated from (used in) investing activities	6,855,542	(112,574,623)
Cash flows from (used in) financing activities		
Increase (decrease) in short-term borrowings	807,000	(75,000)
Increase (decrease) in short-term notes and bills payable	(170,055)	(299,839)
Issuance of bonds payable	-	2,996,500
Proceeds from long-term borrowings	61,301,517	65,756,500
Repayments of long-term borrowings	(58,295,447)	(68,233,000)
Increase (decrease) in guarantee deposits received	723,461	(851,988)
Repayment of the principle portion of lease liabilities	(1,471,664)	(1,559,523)
Cash dividends	(977,635)	(1,025,406)
Cash increase	5,673,751	1,295,886
Increase(decrease) in non-controlling interest	(151,970)	216,137
Net cash generated from (used in) financing activities	7,438,958	(1,779,733)
Effect of exchange in exchanges rate on cash and cash equivalents	8,085	(5,254)
Net increase (decrease) in cash and cash equivalents	(50,107,368)	(47,857,972)
Cash and cash equivalents at beginning of period	100,356,813	148,214,785
Cash and cash equivalents at end of period	\$50,249,445	\$100,356,813

The accompanying notes are an integral part of financial statements

MERCURIES & ASSOCIATES HOLDING, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Mercuries & Associates Holding, Ltd. (the Company, MAH) was founded in February 1965, formerly known as Mercuries & Associates, Co., Ltd. and reorganized its structure in 2015. The Company and its affiliates belong to a comprehensive service industry, providing a group of services including insurance, food & beverage, pharmaceutical and IT integration. The Company is mainly engaged in finance and investment.

2. THE AUTHORIZATION OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 16, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC") :

New standards, interpretations and amendments as endorsed by FSC effective from 2022 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment - proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.2 Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company :

New standards, interpretations and amendments as endorsed by the FSC effective from 2023 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

Based on the Company's assessment, the above standards and interpretations have no significant impact to the Company's financial position and operating results.

3.3 Effect of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS16, 'Requirements for sale and leaseback transactions'	January 1, 2024
IFRS 17 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17 'Initial application of IFRS 17 and IFRS 9 — comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenant'	January 1, 2024

Except for the following, the Company is evaluating the impact of its initial adoption of the abovementioned standards and interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation :

3.3.1. IFRS 17 'Insurance contracts'

The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:

- (1) Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest.
- (2) Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk.
- (3) Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.

3.3.2. Amendments to IFRS 17, 'Insurance contracts'

The fundamental principles introduced when the International Accounting Standards Board first issued IFRS 17 in May 2017 remain unaffected. The amendments are designed to:

- (1) reduce costs by simplifying some requirements in the Standard;
- (2) make financial performance easier to explain; and
- (3) Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

3.3.3. Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 — comparative Information'

The amendment adds a new transition option to IFRS 17 (classification overlay approach) to alleviate accounting mismatches in comparative information between insurance contract liabilities and related financial assets on the initial application of IFRS 17. It allows presentation of comparative information about financial assets to be presented in a manner that is more consistent with IFRS 9 Financial Instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (the 'IFRSs').

4.2. Basis of Preparation

4.2.1. The consolidated financial statements have been prepared on the historical cost basis except for the followings:

- (1) Financial instruments at fair value through profit or loss are measured at fair value (including derivative instruments).
- (2) Financial instruments at fair value through other comprehensive income are measured at fair value.
- (3) Liabilities on cash-settled share-based payment arrangements are measured at fair value.
- (4) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (5) Reinsurance contract assets, insurance liabilities and provisions for insurance contracts with the feature of financial instruments are measured in compliance with the 'Regulations Governing Various Reserves by Insurance Enterprises'.
- (6) Investment properties are measured at fair value.

4.2.2. The preparation of financial statements in compliance with the IFRSs as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Areas involve higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, please refer to Note 5 for more information.

4.3. Basis of Consolidation

All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.

Inter-company transactions, balances and unrealized gains or losses are eliminated. Accounting policies of its subsidiaries have been adjusted to align with those used by the Company.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changed in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

4.4. Subsidiaries of the Company (MAH) included in the consolidated financial statements:

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		
				2022.12.31	2021.12.31	Note
1	MAH, MDS, MFB, MF, MA, MF&B and SMR	Mercuries Life Insurance Co., Ltd. (MLI)	Life insurance	41.72%	43.80%	(1),(2)
2	MAH	Mercuries & Associates, Ltd. (MA)	Retail of footwear	100.00%	100.00%	-
3	MAH	Mercuries Data Systems Ltd. (MDS)	Sales of computer equipment	53.44%	53.44%	-
4	MAH and MFB	SCI Pharmtech Inc. (SCI)	Manufacture and sales of Active Pharmaceutical Ingredients("API") and API Intermediates	34.18%	34.18%	(1)
5	MAH	Mercury Fu Bao Co., Ltd. (MFB)	Sales and agency of liquor, cigar and cigarette	100.00%	100.00%	-
6	MAH	Mercuries General Media, Inc. (MGM)	Agency for import production of video tapes, etc.	86.96%	86.96%	-
7	MAH	Mercuries Harvest Co., Ltd. (MH)	Lease and sales of machinery equipment	100.00%	100.00%	-
8	MAH	Mercuries F&B Co., Ltd. (MF&B)	Beef noodles, other kinds of rice, noodles, pizza and fried chicken restaurant chain stores	93.63%	93.63%	-
9	MAH, MA, MFB, MF&B and MH	Mercuries Leisure Co., Ltd. (MI)	Leisure and entertainment	81.64%	81.64%	-

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		
				2022.12.31	2021.12.31	Note
10	MAH, MDS and MFB	Hipact Tech. Inc. (HT)	Computer equipment installation and data processing	86.58%	86.58%	-
11	MAH	Mercuries Furniture Co., Ltd. (MF)	Furniture retail and decoration	100.00%	100.00%	-
12	MAH	M.T.I. Cigars Co., Ltd. (M.T.I.)	Sales and agency of liquor, cigar and cigarette	100.00%	100.00%	-
13	MAH	Mercuries Insurance Agency Co. Ltd. (MIA)	Agency of insurance	100.00%	100.00%	-
14	MAH	Mercuries Liquor & Food Co., Ltd. (MLF)	Wholesale of tobacco and liquor, beverage and food	100.00%	100.00%	-
15	MAH	Tastynoodle Co., Ltd (Tastynoodle)	Investment	100.00%	100.00%	-
16	MAH and MA	Family Shoemart Co., Ltd (Family Shoemart)	Investment	100.00%	100.00%	-
17	MAH and MA	Simple Mart Retail Co., Ltd. (SMR)	Retail	60.86%	60.86%	(3)
18	MAH and SMR	Sanyou Drugstores, Ltd. (SD)	Retail of cosmeceutical	100.00%	100.00%	-
19	MF&B	Mercuries Food Service Japan Ltd. (MFS Japan)	Catering	100.00%	100.00%	-
20	MAH, MFB, M.T.I. and MF&B	Mercuries Foodservice Co., Ltd. (Foodservice)	Investment	100.00%	100.00%	-
21	MDS	Mercuries Data Systems International Ltd. (MDSI)	Investment	100.00%	100.00%	-
22	MDS	Mercuries Information Systems International Co., Ltd. (MISI)	Software and data processing services	100.00%	100.00%	-
23	MDSI	Core Info Tech Limited (Hong Kong) (CIT HK)	Investment	100.00%	100.00%	-

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		
				2022.12.31	2021.12.31	Note
24	CIT HK	Mercuries Soft (Nanjing) Ltd. (MS Nanjing)	Computer software, development, production and sales of information software, self-produced product management and related technical consulting services	100.00%	100.00%	-
25	SCI	Yushan Pharmaceuticals, Inc. (YP)	Research and development, manufacture and sales of Active Pharmaceutical Ingredients("API")	100.00%	100.00%	-
26	SMR	Simple Mart Plus Co., Ltd. (SMP)	Retail	100.00%	100.00%	-
27	MLF	Shang Rih Ltd. (SR)	Sales of tobacco and liquor, beverage and food	100.00%	100.00%	-
28	SR	Mercuries Liquor & Food Japan Co., Ltd. (MLF Japan)	Sales of tobacco and liquor, beverage and food	100.00%	100.00%	-
29	MF&B	Mercuries F&B Consulting Co., Ltd. (MF&BC)	Catering	98.20%	97.00%	-

Note 1 : The Company has control over the subsidiary's finance, operations, and employment decisions. Therefore, it has control over the subsidiary.

Note 2 : MLI has resolved by the board of directors to increase capital by cash 1,000,000 thousand shares, 430,000 thousand shares and 130,000 thousand shares in November, 2022, February, 2022 and May, 2021. The Company's shareholding down to 41.72%.

Note 3 : SMR increase capital by cash for initial public offering in November, 2021. The Company further provided 100 thousand shares for underwriter over-allotment. The Company's shareholding down to 60.86%.

4.5. The financial statements of SMR, SCI, YP, MF&B, MF&BC, SMP, MH, MI, MFS Japan and SD on December 31, 2022 and 2021 were audited by other auditors. Total assets of the aforementioned subsidiaries were \$14,900,545 thousand and \$13,668,201 thousand, constituting 1.00% and 0.96% of the total consolidated assets as of December 31, 2022 and 2021 respectively. Total comprehensive income were \$658,269 thousand and \$554,180 thousand, constituting (3.27)% and (200.84)% of total consolidated comprehensive income for the years ended December 31, 2022 and 2021 respectively.

4.6. Subsidiaries not included in the consolidated financial statements: None

4.7. Subsidiaries with non-controlling interests that are material to the Company:

As of December 31, 2022 and 2021, non-controlling interest amounted to \$21,493,533 thousand, and \$27,504,955 thousand, respectively. The information of material non-controlling interest and respective subsidiaries are as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
MLI	Taiwan	\$16,902,024	58.28%	\$23,362,532	56.20%

Summarized financial information of the subsidiaries (Not adjust according to the equity ratio) :

Balance sheets

	MLI	
	December 31, 2022	December 31, 2021
Assets	\$1,458,233,193	\$1,400,567,397
Liabilities	1,429,384,941	1,359,129,007
Total net assets	\$28,848,252	\$41,438,390

Statements of comprehensive income

	MLI	
	2022	2021
Revenue	\$109,647,090	\$143,138,547
Profit (loss) before income tax from continuing operations	(15,057,676)	(1,045,837)
Income tax (expense) benefit	1,398,874	2,136,635
Net profit (loss)	(13,658,802)	1,090,798
Other comprehensive income (loss)	(7,798,567)	(2,764,825)
Total comprehensive income (loss)	\$(21,457,369)	\$(1,674,027)

Statements of cash flows

	MLI	
	2022	2021
Net cash flows generated from (used in) operating activities	\$(66,589,527)	\$63,038,917
Net cash flows generated from (used in) investing activities	7,968,917	(113,098,426)
Net cash flows generated from (used in) financing activities	9,263,670	1,061,882
Net increase (decrease) in cash and cash equivalents	(49,356,940)	(48,997,627)
Cash and cash equivalents at beginning of year	97,184,301	146,181,928
Cash and cash equivalents at end of year	\$47,827,361	\$97,184,301

4.8. Foreign currency transaction

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). The functional currency of the Company and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT\$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT\$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into NT\$ using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

4.9. Classification of current and non-current items

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the end of the reporting period. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

The subsidiary MLI primarily engages in life insurance business. In the insurance industries, there is no clear standard distinction for the length of operating cycle depending on the nature of the insurance contracts and the different durations of the insurance claim processing. Therefore, MLI does not present the classification of current or non-current assets, and current or non-current liabilities.

4.10. Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

4.11. Financial assets

Financial assets and financial liabilities are initially recognized when the Company and its subsidiaries become a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

4.11.1. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI)-debt investment; FVOCI-equity investment; fair value through profit or loss (FVTPL). The Company and its subsidiaries shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- A. It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- B. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- A. It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- B. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company and its subsidiaries may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company and its subsidiaries' right to receive payment is established.

(3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable. On initial recognition, the Company and its subsidiaries may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(4) Loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans are measured at amortized cost using the effective interest method less any impairment losses. Transaction accounting is used when buying or selling financial assets in accordance with trading practices.

Loans consist of policy loans, auto premium loans, and mortgage loans. Policy loans are loans guaranteed by the policy. Auto premium loans are premiums paid by the Company according to the policy. Mortgage loans include loans and overdue loans that have been secured by real estate, chattel and securities, loans and overdue loans approved by the competent authority. Loans are stated at the outstanding principal without unearned revenue. The amortized cost and interest income are measured using the effective interest method.

(5) Overdue loans

When the principal or interest of a loan is overdue by more than three months, or payment has been requested by the Company, or when the collateral has been disposed of, it is recorded as a delinquent loan.

A delinquent loan is transferred to an overdue loans account within six months after its due date, or when there is a direct evidence to reveal that the financial capability of the accommodator is insufficient to pay off. For delinquent loans transferred to overdue loans, the accrued interest is not accrued internally but externally, and it continues to be included in the request for payment. Unpaid interest for a delinquent loan accrued before it is transferred to the overdue loans account is transferred to overdue loans together with the principal.

Accrued premium receivables, interest receivables and other receivables are classified as delinquent receivables when they are more than three months overdue. Claims recoverable from reinsurers and due from other insurers previously were classified as delinquent receivables when they were more than nine months overdue.

(6) Business model assessment

The Company and its subsidiaries make an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- A. The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets.
- B. How the performance of the portfolio is evaluated and reported to the Company and its subsidiaries' management.
- C. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company and its subsidiaries' continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

- (7) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company and its subsidiaries consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company and its subsidiaries consider:

- A. Contingent events that would change the amount or timing of cash flows;
- B. Terms that may adjust the contractual coupon rate, including variable rate features;
- C. Prepayment and extension features; and
- D. Terms that limit the Company and its subsidiaries' claim to cash flows from specified assets (e.g. non- recourse features).

(8) Impairment of financial assets

The Company and its subsidiaries recognize loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, amortized costs, loans, refundable deposits and other financial assets), debt investments measured at FVOCI.

The Company and its subsidiaries measure loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- A. Debt securities that are determined to have low credit risk at the reporting date; and
- B. Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company and its subsidiaries are exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company and its subsidiaries consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company and its subsidiaries' historical experience and informed credit assessment as well as forward-looking information.

The Company and its subsidiaries consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's".

The Company and its subsidiaries assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or the credit rating of financial instrument has been defined as lower than the investment grade and equal or lower than the initial purchase rating by 2 notches.

The Company and its subsidiaries consider a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company and its subsidiaries in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company and its subsidiaries in accordance with the contract and the cash flows that the Company and its subsidiaries expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company and its subsidiaries assess whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- A. Significant financial difficulty of the borrower or issuer;
- B. A breach of contract such as a default or being more than 90 days past due;
- C. The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- D. It is probable that the borrower will enter bankruptcy or other financial reorganization.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

Other than the assessment described above, in accordance with the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand, and Bad Debts by Insurance Enterprises," the subsidiary MLI classifies the loan assets into Class 1 "normal", Class 2 "under notice", Class 3 "possible to be recovered", Class 4 "difficult to be recovered", and Class 5 "with no chance of recovery", and sets aside an allowance for doubtful accounts. The above mentioned regulation is the minimum requirement of allowance for doubtful accounts, and the sum of the allowance for doubtful accounts must not be less than the following standards:

- A. The total balance of 0.5% of claim balance of Class1 loan assets after deducting life insurance loans, automatic premium loans and government debt, 2% of claim balance of Class 2 loan assets, 10% of Class 3, 50% of Class 4, and the entire claim balance of Class 5 loan assets.

The sum of loans overdue and receivables on demand which are valued as no collaterals.

1.5% of the total balance of the policy-related loan, which are started from January 1, 2011, being deducted from the sum of housing purchase, renovating loans, and the building loans, the remaining sum has to be recognized annually before the end of 2016 in order to strengthen the ability of the insurance companies to undertake the loss of specific loans, according to FSC Insurance Bureau (FSCIB) No. 10402506096.

- B. 1% of the total balance of Class 1 to 5 loan assets deducting life insurance loans, automatic premium loans, and government debt.

The amount of doubtful account is estimated as the higher of the results of the two methods used above.

The subsidiary MLI shall provide the related allowance for doubtful accounts according to the above-mentioned guidelines if the assessed amount of impairment loss in accordance with the third amendment of the IFRS 9 Financial Instruments.

(9) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company and its subsidiaries neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company and its subsidiaries enter into transactions whereby it transfers assets recognized in its statement of balance sheet but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(10) Overlay approach

The subsidiary MLI has designated financial assets to adopt the “overlay approach” in accordance with IFRS 4 “Insurance Contracts”, to reduce the financial impact and differences as a result of the different implementation dates between IFRS 9 and IFRS 17, whereby IFRS 17 is expected to be effective at a later date.

4.11.2. Derivative financial instruments and hedge accounting

The Company and its subsidiaries hold derivative financial instruments to hedge the risk of fluctuation of price, foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

4.11.3. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company and its subsidiaries currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

4.11.4. Structured entity

A structured entity has been specially designed so that voting right or other similar rights do not dominate the entity. That is, the voting right can only affect the administrative tasks, all the key operating decisions are negotiated and determined on the contract basis. The Company consolidates the structured entities into its financial statement when the following criteria are made:

- (1) Having the rights over the structured entity's activity, such as, but not limit to, voting right;
- (2) Having the rights to obtain the structured entity's reward by involving in such structure entity;
- (3) Having the capability to exercise its rights over the structured entity to have influences over the entity's reward.

4.12. Accounts receivable and Notes receivable

Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services and are initially measured at fair value. Subsequent to initial recognition, accounts and notes receivable are measured at amortized cost using the effective interest method and recognized loss allowances in profit or loss.

4.13. Inventories

Inventories are recorded at cost when purchased and follow the perpetual inventory system. The weighted-average cost method is adopted in determining costs of inventories.

Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items.

Any defective, damaged, or obsolete inventories are stated at net realizable value if the values of such inventories are reduced significantly.

4.14. Investments accounted for under equity method -associates

Investments accounted for under equity method are investments in associates. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control or joint control over those policies.

Except classified as assets held for sale, the operating results and assets and liabilities of associates are incorporated in these consolidated financial statements under equity method of accounting. Under equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. When the loss in the affiliated enterprise recognized proportionally by the consolidated company equals or exceeds its interest in the affiliated enterprise, stop recognizing loss; also, only recognizes additional loss and related liability upon the occurrence of a legal obligation, constructive obligations, or prepayment made on behalf of the invested company.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Balances and transactions generated by transactions between companies as well as any unrealized income and expenses have been wrote off during the preparation of consolidated financial statements. When there is any transaction between a consolidated entity and an affiliate, the unrealized profits and losses shall be wrote off according based on the respective proportion at the time of the consolidated.

4.15. Joint operation and investment accounted for under equity method- joint ventures

Investment of joint arrangements are classified as joint operations or joint ventures based on its contractual rights and obligations.

4.15.1. For the interest in a joint operation, the Company and its subsidiaries recognize direct interest in (and other shares of) the joint operation's assets, liabilities, revenue and expense which are included in the financial statements.

4.15.2. Investment accounted for under equity method - joint ventures

The Company and its subsidiaries accounts for its interest in a joint venture under equity method. Unrealized profits and losses arising from the transactions between the Company and its subsidiaries and its joint venture are eliminated to the extent of the Company and its subsidiaries' interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, all such losses shall be recognized immediately. When the Company and its subsidiaries' share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Company and its subsidiaries do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

4.16. Reinsurance contract assets

The subsidiary MLI arranges the reinsurance business based on the business need and the related insurance laws to limit the losses caused by certain events. For reinsurance ceded business, the subsidiary MLI cannot refuse to fulfill their obligations to insured even if the reinsurer refuses to fulfill its obligation.

Reimbursement expenses and income arising from the reinsurance business, and the amount of income payable or reimbursement from the relevant insurance contract shall be recognized in the same period. The net entitlement of the reinsurance contract, including the reinsurance reserve asset, claims and payment recoverable from reinsurers, and intercompany reinsurance receivables shall be recognized in accordance with the reinsurance contract and the relevant insurance contract liabilities. The assets or liabilities and the incomes or expenses of the reinsurance contract shall not be offset against the loss or benefit of the relevant insurance liabilities and related insurance contracts.

Reinsurance contract assets, claims and payment recoverable from reinsurers, and intercompany reinsurance receivables held by ceding companies are periodically assessed for impairment. If the reinsurance asset is impaired, its carrying amount is reduced accordingly, and impairment loss thereon is recognized in profit or loss. A reinsurance asset is impaired if, and only if, there is objective evidence that the subsidiary MLI may not receive all amounts due them under the terms of the contract as a result of an event that occurred after initial recognition of the reinsurance asset; and the impact of that event to the amounts that the subsidiary MLI will receive from the reinsurer can be measured reliably.

In determining the classification of a reinsurance contract, the subsidiaries MLI considers whether a significant insurance risk should be transferred to the reinsurer. If there is no significant insurance risk that are being transferred, the contract shall be recognized and measured in accordance with deposit accounting.

If the subsidiary MLI can measure the constituent elements of its savings separately, the insurance component of the reinsurance contract and the elements of the savings shall be recognized separately. That is to say, the subsidiary MLI will deduct the insurance component from the reinsurance contract after receive (or pay) the consideration of the contract, and is recognized as financial liabilities (or assets), not income (or expense). The financial liabilities (or assets) are recognized and measured at fair value and are based on discounted future cash flows as a basis for fair value measurement.

4.17. Insurance contracts

The subsidiary MLI classifies a contract as an insurance contract when the subsidiary MLI accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The definition of an insurance risk is that, a risk, other than financial risk, is being transferred from the holder of a contract to the issuer. The definition of a financial risk is that, a risk came from a possible future change in one or more of the variables (including specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating and credit index or other variable). If one of the above variables is a non-financial variable, it must not be specific to a party to the contract. Insurance contracts may also transfer some of financial risks.

The subsidiary MLI deems a risk to be significant if, and only if, an insured event could cause the subsidiary MLI to pay significant additional benefits in any scenario except a scenario that lacks commercial substance. At inception, a contract that qualifies as an insurance contract shall still be considered an insurance contract until all rights and obligations are extinguished or expire. Contracts that do not transfer a significant insurance risk are classified as financial instruments, and if a significant insurance risk is subsequently transferred, the subsidiary MLI shall reclassify the contracts as insurance contracts.

Sub-classification of insurance contracts and financial instruments will depend on whether they contain discretionary participation features or not. Discretionary participation feature is a contractual right to receive additional benefits as a supplement to guaranteed benefits:

- 4.17.1. That are likely to be a significant portion of the total contractual benefits;
- 4.17.2. Whose amount or timing is contractually at the discretion of the issuer; and
- 4.17.3. That are contractually based on:
 - (1)The performance of a specified pool of contracts or a specified type of contract;
 - (2)The realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
 - (3)The profit or loss of the subsidiary MLI, fund or other entity that issues the contract.

When the economic characteristic and risk of embedded derivatives do not closely relate to that of their host contract, the subsidiary MLI shall separate the embedded derivatives from the host contract, and measure them at fair value and record the changes in fair value in profit or loss. However, the subsidiary MLI need not separate an embedded derivative from the host contract if it meets the definition of an insurance contract, or when the entire insurance contract are measured at fair value and the changes in fair value are recognized as profit or loss.

4.18. Investment property

Properties held by the Company and its subsidiaries to earn rentals revenue and/or for capital appreciation are classified as investment properties. Investment properties, including office buildings and lands held under operating leases, are measured initially at their costs. Cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Cost of a self-constructed investment property comprises expenditure of raw materials, direct labor, and any expenditure directly attributable to bringing the property to the condition necessary for it to be capable of operating.

The investment property is measured by fair value model and the change of fair value is recognized as profit & loss in the current period in accordance with IAS 40 "Investment property". However, those categorized held for sale and discontinued operations according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" which met the criteria of non-current asset held for sale (including disposal group held for sale), and those met the criteria of the 53rd paragraph of IAS 40 "Investment property" were excluded.

The Company and its subsidiaries transfer investment property in or out based on its actual use. Transfers between categories should be based on market values and accounting treatment should be conducted in accordance with IAS 40 "Investment property".

The subsidiary MLI in order to maintain the soundness and stability of its financial structure in insurance industry, the Company needs to set aside a special reserve equal to the net amount of the adjustments on investment properties and the accumulated excess net amount after tax of the adjustment from subsequent measurement based on the fair value in according with FSCIB No.10904917647 issued on May 11, 2020. The special reserve will then be subsequently set aside only for valid contract based on IFRS 17 "Insurance Contracts", the policy of the fair value evaluation of valid insurance contract in the insurance industry, and the other regulations designated by the authority.

4.19. Property, plant and equipment (PPE)

Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed to profit or loss during the financial period in which they are incurred.

PPE apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Land is not depreciated. Each part of an item of PPE that is significant in relation to the total cost of the item must be depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, it is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for buildings are 2 to 60 years, useful lives for other PPE are 2 to 15 years.

4.20. Leasing

4.20.1. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease constitutes the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

4.20.2. As a lease

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company and its subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (1) Fixed payments, less any lease incentives receivable;
- (2) Variable lease payments that depend on an index or a rate;
- (3) Amounts expected to be payable by the lessee under residual value guarantees;
- (4) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (5) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (1) The amount of the initial measurement of lease liability;
- (2) Any lease payments made at or before the commencement date; and
- (3) Any initial direct costs incurred.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

As a practical expedient, the Company elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- (1) The rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (2) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (3) Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- (4) There is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

For sale and leaseback transactions, the Company applies the requirements for determining when a performance obligation is satisfied in IFRS15 to determine whether the transfer of an asset is accounted for as a sale of the asset. If the transfer of an asset satisfies the requirement of IFRS15 to be accounted for as a sale of the asset, the Company derecognizes the transferred asset, then measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. For leaseback transaction, the Company applies the lessee accounting policy. If the transfer of an asset does not satisfy the requirement of IFRS15 to be accounted for as a sale of the asset, the Company continues to recognize the transferred asset and recognizes the financial liability equal to the transfer proceeds.

4.21. Intangible asset

Intangible assets individually acquired are measured by cost less accumulated amortization and impairment losses. Amount of amortization is calculated on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method of intangible assets should be reviewed at each financial year-end. Any changes in accounting estimates can be applied prospectively.

4.22. Impairment of non-financial asset

For non-financial assets other than deferred tax assets and employee benefits, the Company and its subsidiaries assess whether the impairment has occurred at the end of each reporting period, and estimate its recoverable value. If the recoverable value cannot be estimated individually, the Company and its subsidiaries estimate the recoverable amount of the cash generating unit of the asset to assess the impairment.

The recoverable amount is the higher of the fair value less cost of sale for individual asset or cash generating units and the value of their use. If the recoverable value of an individual asset or cash generating unit is less than the carrying amount, it shall be write down to the recoverable amount and the impairment loss shall be recognized.

The Company and its subsidiaries reassess the impairment loss of non-financial assets other than goodwill at the end of each reporting period. If the recoverable value has increased, the impairment loss is written off in accordance with the changed of recoverable value. However, the amount added back cannot exceed the individual asset or cash generate unit's carrying amount less any depreciation expense from last year.

4.23. Employee benefits

4.23.1. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plans

A defined benefit plan is a post-employment benefit other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company and its subsidiaries, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company and its subsidiaries determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company and its subsidiaries recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4.23.2. Bonuses to Employees and Remuneration to Directors

Employee bonuses and directors remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts by board of directors and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee's compensation is distributed by shares, number of shares distributed was calculated based on the closing price at the previous trading day of the board meeting.

4.23.3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company has a present legal or constructive obligation to pay as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.24. Separate account assets and liabilities

The subsidiary MLI sells investment-linked products. The insurer's costs and expenses shall be deducted (according to the agreed method) from the premiums paid by insurance applicants, and such residual premiums shall be recorded in a separate account according to the arrangements for investment allocation agreed or designated by the insurance applicants. The value of assets under separate accounts shall be calculated according to the fair value on the valuation date, and the net values of such assets shall be calculated in accordance with applicable laws and regulations and IAS.

In accordance with the "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance", the assets and liabilities under separate accounts (whether they are resulted from insurance contracts or insurance contracts with financial instruments features) are recorded as "Separate account assets for unit-linked products" and "Separate account liabilities for unit-linked products"; the revenues and the expenses under separate accounts which are the sum of revenues and expenses of separate account that fulfill the definition provided by IFRS 4 (including investment-linked products with discretionary participating features) are respectively recorded as "Separate account revenue for unit-linked products" and "Separate account expense for unit-linked products".

4.25. Financial liabilities and equity instruments

4.25.1. Classification of debt or equity

Debt or equity instruments issued by the Company and its subsidiaries are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

4.25.2. Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

4.25.3. Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4.25.4. Derecognition of financial assets and liabilities

The Company and its subsidiaries derecognize a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.26. Bonds payable - convertible bonds

The convertible bonds that the Company issued are embedded with a put option and a call option in addition to the option to convert the bonds to common stocks. At issuance, the issue price is split between financial assets and financial liabilities based on the issue term and the related accounting treatments are as follows:

The option to convert the bonds to common stocks, put option and call option are measured at net fair value at initial recognition and are recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the carrying amount and the fair value at each reporting date is recognized as gains or losses on financial assets (liabilities) at fair value through profit or loss.

The bonds payable at initial recognition is measured at issue price less the amounts recognized as financial assets or financial liabilities at fair value through profit or loss. The difference between the fair value at initial recognition and the redemption value is recognized as premiums or discounts, an addition to or reduction from bonds payable, and is amortized using the effective interest rate. The amortization is recognized as an adjustment to financial cost in profit or loss during the outstanding period of the bonds.

Transaction costs that directly attribute to the issue of convertible bonds are allocated to each liability component of the bonds in proportion to the initial carrying amounts.

When the bonds are converted to common stocks by bondholders, the liability components, including bonds payable and financial liabilities at fair value through profit or loss, shall be re-measured according to their respective subsequent treatment aforementioned. The issue cost of the common stocks then equals to the total of the carrying amounts of the liability components.

4.27. Insurance liabilities

The reserve for both the insurance contracts and the investment contracts with or without discretionary participation feature of the subsidiary MLI determines reserves for insurance contracts in accordance with the Regulations Governing the Provision of Various Reserve, Regulation of Reserves for Operating Investment in Life Insurance, Regulation of Various Reserves for Operating Investment in Life Insurance and Directions for Interest-Sensitive Annuity Insurance Policy Premium Rates. The methodologies used to determine the reserve are certified by the appointed actuary who is authorized by the FSC. Except for the reserve for short-term group insurance which shall be calculated on the actual premiums or the premiums conforming to the rule prescribed in FSCIB No.11004925801 whichever is higher, the bases for determining other reserves or provision for liabilities are as follows:

In addition, some of the subsidiary MLI's insurance contracts contain discretionary participation features and guarantee factors, but the Company did not separately identify them, so the overall contract is classified as liabilities.

4.27.1. Unearned premium reserve

Unearned premium reserves for effective insurance contracts with a term less than 1 year and accident insurance for effective insurance contracts with a term more than 1 year, universal variable life insurance and universal life insurance with a term over 1 year are calculated based on the gross premiums of the insurance contracts which have not matured yet on the balance sheet date.

4.27.2. Claim reserve

Claim reserve is provided based on the incurred but not reported claims and reported but unpaid claims. For reported but unpaid cases, the claim reserves are provided based on the actual claim case by case. For incurred but not reported cases, the reserve is provided based on historical claim experiences and expenses along with the insurance types, including accident insurance, health insurance and life insurance with a term less than 1 year via the method conforming to actuarial principles (ex: Loss Development Triangle Method).

4.27.3. Policy reserve

The provision for future policy benefits is calculated in accordance with both the modified method of article 12 of the Enforcement Rules of Insurance Law and the calculation prescribed by the competent authority.

Starting from 2003, for effective insurance contracts which adopt the dividend calculation formula prescribed under FSCIB No. 11004931041, the policy reserve is provided based on the currently reduced amount of dividend caused by the offset between interest margin and mortality margin for long term effective insurance contracts.

Starting from 2012, in accordance with FSCIB No. 10102500530 issued on January 19, 2012, a liability reserve based on 3% of sales is provided for purposes of writing off allowance for bad debts and calculated based on the terms of the "Regulations Governing the Provision of Various Reserve", the recovery of the special catastrophe reserve. In accordance with the FSCIB 10202124790 issued on November 21, 2013, additional liability reserve is not provided, since 2013.

When an insurer chooses to measure its investment property at fair value, the value of its insurance liabilities must also comply with the condition of measurement designated by the authority every year. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds the book value, the difference should be reserved for insurance liabilities and the retained earnings must be reduced. The subsidiary MLI has changed its accounting policy for subsequent measurement of investment property from cost model to fair value model starting 2020. The results of the measurements indicated that the fair value of the insurance liabilities did not exceed its book value, therefore, there was no need to increase the reserves for insurance liabilities.

4.27.4. Special reserve

The special reserve provided for retention business with a term within 1 year is divided into 3 categories, which are special catastrophe reserve, special contingency risk reserve and other special needs reserve. The methods for providing these reserves are as follows:

(1) Special catastrophe reserve

A special catastrophe reserve covering all types of insurance is provided at a rate prescribed by the competent authority. For the actual catastrophe claim exceeding \$30,000 thousand, the excess amount is offset against special catastrophe reserve. For special catastrophe reserve that remains outstanding for over 15 years, it is written off based on the evaluation of an actuary and after being reported to the competent authority for inspection.

The above-mentioned new provision of special catastrophe reserve, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity.

(2) Special contingency risk reserve

If the net amount of actual claim minus the related special catastrophe reserve is lower than the amount of expected claim, a special contingency risk reserve is provided at a rate of 15% of the difference between the net amount of actual claim and the amount of expected claim.

If the net amount of actual claim minus the related special catastrophe reserve is higher than the expected claim amount, the difference is debited to special contingency risk reserve. However, the amount and type of insurance are reported to the competent authority for inspection. If the total accumulated amount of the special contingency risk reserve is over 30% of premium earned of the year, the excess is treated under reclaim rule.

The above-mentioned balance for write down or reclaim, net of income tax, is offset against the special reserve for contingency risk of equity in accordance with IAS 12. The new provision of special reserve for contingency risk, net of income tax pursuant to IAS 12, is accounted for under special reserve of stockholders' equity rule.

In addition, the special contingency risk reserve after tax, which returned to the Company, should be recognized as special reserve with the shareholders' approval in the next annual meeting. The reserve cannot be used for other purpose without the authorization from the competent authorities.

- (3) Any increase or write down in other special reserve arise from other needs required the approval from the authority.

In accordance with the " Regulations Governing the Preparation of Financial Reports by Insurance Enterprises ", if the real estate measured at fair value experiences appreciation in value, the appreciation shall be firstly used to offset the adverse impact of the first adoption of the IFRSs on other accounting items, and the remainder shall be appropriated as a special provision in the line item of liabilities.

Additionally, from January 1, 2013, the excess amount of the enhancement of liability reserve, calculated in accordance with November 27, 2012 FSCIB No. 10102515285, could be transferred to "liability reserve insurance contract liability measured at fair value" in accordance with November 30, 2012 FSCIB No. 10102515281. For remaining outstanding reserve, it is accounted for under special reserve of stockholders' equity, either recognized by 80% of which at first year or recovered by 5 years with the restriction up to \$10 billion each year.

4.27.5. Premium deficiency reserve

For life insurance, health insurance, or annuities with an insurance term over 1 year, and policies issued after January 1, 2001, a deficiency reserve is provided when the actual premium written is less than the premium on the policy reserve prescribed by the competent authority.

In addition, the Company shall evaluate expected future claims and expenses for in-force contracts with contract term less than 1 year and for accident insurance contracts with terms over 1 year, and if the amount exceeds unearned premium reserve and expected future premium income, a premium deficiency reserve should be provided for the difference.

4.27.6. Unqualified reinsurance reserve

If a reinsurance contract on the ceded date or balance sheet date is deemed unqualified ceded reinsurance under the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", the subsidiary MLI utilizes "The Provision of Unqualified Reinsurance Reserve" to evaluate the effect of unqualified reinsurance in supervision reports, and the results are disclosed in its financial statements.

4.27.7. Liability adequacy reserve

Liability adequacy reserve is a reserve that is provided depending on the results of the liability adequacy test prescribed under IFRS 4 endorsed by the FSC.

4.28. Reserve for insurance contracts with financial instrument features

Reserves for the financial instruments that are not separate account and insurance products without discretionary participation features under general account are provided in accordance with the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves" and related regulations to set aside reserves.

4.29. Reserve for fluctuation of foreign exchange

Since March 1, 2012, the subsidiary MLI has provided a reserve for fluctuation of foreign exchange under liabilities for foreign investment assets (excluding non-unit-linked life insurance products denominated in foreign currencies) in accordance to the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves. Based on the regulations, the subsidiary MLI may reclassify a portion of special reserves to the reserve for fluctuation of foreign exchange as its beginning balance; however, the reclassified amount should not exceed 50% of the special catastrophe reserve and the special risk volatility reserves under liabilities based on the former ROC generally accepted accounting principles as of December 31, 2011.

In accordance with the Directions Concerning Provision of Life Insurance Reserve for Fluctuation of Foreign Exchange and other associated regulations, the cap on accumulated balance, the provision and reversal mechanism, and other compliance regulations of the reserve for fluctuation of foreign exchange are as follows:

- 4.29.1. The initial amount of reserves for fluctuation of foreign exchange shall be repaid to the special earnings reserves in 3 years since the start date. The provided amount in the first year shall not be less than one third of the initial amount after tax. The accumulated amount provided in the first two years shall not be less than two third of the initial amount after tax. Because the special catastrophe reserve recorded under liability reserves should be provided as the initial amount of reserves for fluctuation of foreign exchange, the abovementioned provision of the special earning reserve should be taken account for the reduced recovery amount of the special catastrophe reserve while calculating based on the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves".
- 4.29.2. Limit of provision: the total amount of its foreign investment assets in the current month times the exposure ratio times fixed reserve ratio equals the provision. If any, the foreign exchange gain from the non-hedged foreign currency assets times extra reserve ratio equals the additional provision.

4.29.3. Limit of withdraw: If any, the foreign exchange loss from the non-hedged foreign currency assets times extra offset rate equals the reverse amount of this reserve. The balance of this reserve at the end of each month shall not be less than the "offering lower limit" (calculated as the average of the reserve balance in the prior years since 2012 plus an additional 20%).

4.29.4. Should the amount of this reserve decrease to the "offering lower limit" continuously for 3 months, this reserve shall be increased by 75%, and to be at least 3 times the "offsetting lower limit".

The monthly fixed reserve ratio, extra reserve ratio and extra offset ratio mentioned as above are as follows:

A. The fixed reserve ratio is 0.05%. The ratio will be 0.06% when comply with the following condition.

B. The extra reserve ratio and extra offset ratio are 50%. It will be 60% when comply with the following condition.

The condition mentioned above is only applicable when the average hedge cost is greater than or equal to 2%. The average hedge cost is calculated annually using the 1-year NTD/USD swap rate whose period begins in December of the previous year until November of the current year.

4.29.5. The upper limit of this reserve is considered as 9.5% of the total amount of its foreign investment assets at the end of each year.

4.29.6. The savings in costs from hedging due to this rule shall be provided as special earnings reserves each year. If the retained earnings are insufficient in the current year, the Company shall make up the insufficiency in the following year while it becomes sufficient.

4.29.7. If there are earnings after tax in the current year, 10% of the earnings amount should be provided as special earnings reserves. However, the Company may not provide such reserves if the regulatory authority approves. Besides, in accordance with Shou-Hui-Gui No. 1090201026, the calculation basis on set aside reserve should be based on the "amount of net profit after tax, plus, items other than net profit after tax for the current period included in the unappropriated earning for the year."

4.30. Provision

A provision is recognized if, as a result of a past event, the Company and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

4.31. Treasury stock

The Company and its subsidiaries adopt cost method to repurchase outstanding shares as treasury shares. The cost of repurchasing treasury shares is specified in the financial statement as a deduction of shareholders' equity, and the price difference of treasury share transactions is listed under the section of shareholders' equity. When retiring treasury shares, it shall be credited as "treasury share", and debited as "share capital" and "capital reserve - stock premium" in proportion to the share percentage of retirement.

The Company's shares held by its subsidiary are recorded as treasury shares. The profits generated from the subsidiaries' disposal of the Company's shares and the revenue received from the Company's cash dividends are recorded in the "capital reserve - treasury stock transaction".

4.32. Revenue

Revenue is measured by fair value of the consideration received or receivable deducting the estimated customer returns, discounts, and other related sales allowance.

4.32.1. Sales of goods

The Company and its subsidiaries recognize accounts receivable when the control to the goods or services is transferred and it is entitled to unconditionally claim the consideration. Such accounts receivable usually have a short period and have no major financial components. If the control to goods or services have been transferred to the customer but it is not yet entitled to unconditionally claim of consideration, the contract assets and revenue shall be recognized. If part of the consideration has been collected from the customer and the obligation to continue to provide the goods or services is still effective, the contract liabilities shall be recognized and transferred to revenue when the performance of obligations is completed.

4.32.2. System integration and maintenance revenue

The subsidiary MDS provides services related to the installation of specific software and modules. The service revenue is recognized when services are provided to customers. The revenue from fixed-price contracts shall be recognized based on the percentage of services actually provided to the total services to be provided as of the date of financial statement, and the completion percentage of services shall be determined based on the actual costs incurred to the estimated total costs. The customer shall pay the contract price according to the mutually-agreed payment schedule. When the value of service provided exceeds the customer's payable, it shall be recognized as the contract asset, and if the customer pays more than the value of service provided, it shall be recognized as the contract liability.

4.32.3. Premium income and acquisition costs

First-year and renewal premiums of insurance contract and financial instruments with discretionary participation features are respectively recognized as income when premiums are received and the policies are approved or due. Acquisition costs, including commissions and other costs related to acquiring new business, are recognized as expenses as incurred.

Premiums collected from the financial instruments without discretionary participation features under general account shall be recognized on the balance sheet as "reserve for insurance contract with financial feature". Acquisition costs related to acquiring new business are charged to "reserve for insurance contract with financial feature" as the insurance contracts become effective. Premiums collected from the financial instruments without discretionary participation features under separate account for unit-linked products shall be recognized as premium income to the extent of insurance component. The remaining, after being subtracted by other revenues, including up-front fee or investment management service fee income, shall be fully recognized as "separate account liabilities" on the balance sheet.

4.32.4. Accounting for service charge on investment-linked insurance contracts classified as financial products without discretionary participation features.

The service charges normally collected from the policyholder of insurance contracts, which do not belong to investment-linked insurance and which are classified as financial products non-discretionary participation features, include contract administrative charge, investment administrative charge, rescinding charge and others. These charges are recognized as revenue upon collection. When the subsidiary MLI receives certain service charge which makes them obligated to provide future service (ex: front-end load), this service charge is initially treated as a deferred revenue and is recognized as revenue based on the proportion of the period of service provision, amortized by the straight line method. Besides, the amount of amortization is recognized under fee income.

In addition, the costs incurred by the policies of investment management services, including commission fees and incremental fees directly related to the issuance of the new contract, are subject to deferred approval and are provided under "deferred acquisition costs". And amortized by the proportion of the service rendered on the straight-line basis, with expense classified under "other operating costs".

4.32.5. Loyalty programmer

The customer loyalty program aims to provide customers with bonus points and grant them the right to purchase goods at discounted prices. The fair value of the consideration received or receivable for the original sale is jointly allocated to the bonus points and other components of such sale. The amount allocated to the bonus points shall be estimated based on the fair value of the right to purchase goods at discounted prices. The fair value shall be estimated based on the discounted amount and adjusted according to the proportion that is not expected to be redeemed. Such amounts shall be deferred first, and subsequently recognized as the revenue after the bonus points are actually redeemed and the discounted goods have been provided to fulfill the obligations. In this case, the amount of revenue recognized shall be calculated based on the proportion of actually redeemed quantity to the total expected redeemed quantity. In addition, when it is no longer expected that the bonus points are likely to be redeemed, the deferred revenue shall be transferred to revenue.

4.32.6. Dividend income and interest income

The dividend income is generated by investment and recognized when the shareholders' right to receive payment is established, provided that the economic profits related to the transaction have the potential to be acquired by the Company and its subsidiaries, and the amount of income could be reliably measured.

The interest income is recognized on an accrual basis based on the duration of time for the applicable effective interest rate for the outstanding principal.

4.32.7. Profit or loss from investment property

The rental income arising from the investment property is recognized as a part of the total leasing income during the lease period, and the incentive for the lease is recognized as a decrease in the rental income by the straight-line method during the lease term.

4.33. Income tax

The tax expense for the period comprises both current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity.

Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

The Company and its more than 90% owned subsidiaries adopt the linked-tax system for tax filings in accordance with MOF No.10500580850. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in the Company's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

4.34. Operating segments

Operating segments are reported in a manner consistent with the internal managements reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

4.35. Earnings per share

Basic earnings per share are computed by dividing profit or loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the current reporting period. Diluted earnings per share are computed after adjustments (regarding all impact caused by potential diluted ordinary shares) made on profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Potential diluted ordinary shares include convertible bonds and bonus paid to employee. However, the adverse dilutive share is not computed.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of consolidated financial statements requires management to make critical judgments in applying the accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

5.1 Financial instrument

5.1.1 Fair value

The Company and its subsidiaries hold certain financial instruments without active markets, including financial instruments lacking of active market quotes and financial instruments that turned out to be inactive due to market conditions (ex: low market liquidity). When a market is inactive, it is usually only a few or no observable market data available to measure the fair value of financial instruments. Determination of the existence of an active market for a financial instrument requires management's judgments.

If the market of an investment held by the Company and its subsidiaries is not active, the fair value of the instrument is determined with valuation techniques. When the fair value may be publicly obtained from independent sources, it shall be adopted. Overall, the Company and its subsidiaries would decide a source and/or a valuation technique as a fair value determination method that can reflect the price achieved between market participants through regular trading as of the balance sheet date. Valuation techniques include adoption of recent arm's length transactions, reference to other instruments with substantially identical basis, application of discounted cash flow analysis, etc., which may also include a number of assumptions related to each variable (such as credit risk and interest rate). The fair value also reflects consider of credit risk. Adoption of different valuation techniques or assumptions may lead to significant discrepancies in fair value determination results.

5.1.2 Impairment

Financial assets measured at amortized cost and financial assets measured at FVOCI-debt investment are estimated for loss allowance at an amount equal to the 12-month expected credit losses since initial recognition, despite the existence of evidence of objective impairment. Should credit risk on a financial instrument increase significantly, or there exists evidence of objective impairment, recognized the expected credit losses of the duration then the loss allowance might be increased, and effected profit or loss.

5.2 Valuation of inventory

Inventories are stated at the lower of cost and net realizable value, and the Company determines the net realizable value of inventories using judgments and estimates at the end of each reporting period. The Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of each reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is mainly determined based on assumptions of future demand within a specific time horizon. Therefore, there might be material changes to the evaluation.

5.3 Insurance liabilities

The subsidiary MLI measures insurance liabilities based on the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves.

A policy reserve for life insurance is provided using the lock-in interest ratios assumptions at issue instead of the current market rate.

Unearned premium reserve should be provided based on the unexpired risk. The methods adopted to provide the reserve shall be determined by the actuary in accordance with the characteristics of the types of insurance.

A claim reserve is estimated based on the loss development triangle method. The major assumptions are loss development factors and expected claim rates; this results in an estimate of ultimate claim costs. The loss development factors and expected loss ratios are based on the subsidiary MLI's historical claim experience.

For life insurance, health insurance, or annuities with an insurance term over 1 year, a deficiency reserve is provided when the actual premium written is less than the premium on the policy reserve prescribed by the competent authority. In addition, the subsidiary MLI shall evaluate expected future claims and expenses for in-force contracts with contract term less than 1 year and for accident insurance contracts with terms over 1 year, and if the amount exceeds unearned premium reserve and expected future premium income, a premium deficiency reserve should be provided for the difference.

A liability adequacy test is performed based on the Life-Insurance Sector Actuarial Practice Guidance of IFRS 4 Contracts Classification and Liability Adequacy Test issued by the Actuarial Institute of the Republic of China. The subsidiary MLI performs the liability adequacy test using estimates of future insurance benefits, premiums, and related fees, and other reasonable current estimates of future cash flows under its insurance contracts.

The professional judgment applied to the above mentioned liability evaluation process will affect the movement in the insurance reserve.

6 DETAILS OF SIGNIFICANT ACCOUNTS

6.1 Cash and cash equivalents

	<u>December 31,2022</u>	<u>December 31,2021</u>
Cash and deposits in bank	\$36,140,576	\$67,049,220
Cash equivalents	14,108,869	33,307,593
Total	<u>\$50,249,445</u>	<u>\$100,356,813</u>

The Company and its subsidiaries associate with a number of financial institutions of high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

6.2 Financial assets at fair value through profit or loss-current

	<u>December 31,2022</u>	<u>December 31,2021</u>
Common stocks	\$2,426	\$4,180
Beneficiary certificates	1,039	105,289
Preferred stocks	94,080	250,932
Forward foreign exchange contracts	11,160	-
Total	<u>\$108,705</u>	<u>\$360,401</u>

6.3 Accounts receivable, net

	<u>December 31,2022</u>	<u>December 31,2021</u>
Notes receivable	\$78,473	\$114,503
Accounts receivable	1,022,156	741,989
Installment accounts receivable	-	1,245
Lease payment receivable within 1 year	20,077	30,902
Interest receivable	8,932,047	8,315,102
Other receivables—delinquent receivables	126,422	8,001
Other receivables—securities and redeeming investment-linked insurance	768,989	4,572,374
Other	128,728	342,165
Subtotal	<u>\$11,076,892</u>	<u>\$14,126,281</u>
Less: Allowance—notes receivable	(63)	(63)
Less: Allowance—accounts receivable	(14,547)	(5,742)
Less: Allowance—interest receivable	(19,512)	(232)
Less: Allowance—delinquent receivables	(22,356)	(7,283)
Total	<u>\$11,020,414</u>	<u>\$14,112,961</u>

Information of lease payment receivables are as follows:

The subsidiary MDS leases ATMs, passbook entry machines and related equipments under financial leases. According to the terms of the lease contract, the ownership of the assets shall be transferred to lessee after the expiry of the lease period. It is expected that all lease payments would be collected according to lease terms. In addition, SMR subleases office building and retail store with a sublease period covering the remaining period of the lease.

	December 31, 2022		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
<u>Current</u>			
1 year	\$22,231	\$(2,154)	\$20,077
<u>Non-current</u>			
1~5 years	51,401	(5,478)	45,923
Total	<u>\$73,632</u>	<u>\$(7,632)</u>	<u>\$66,000</u>

	December 31, 2021		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
<u>Current</u>			
1 year	\$33,413	\$(2,511)	\$30,902
<u>Non-current</u>			
1~5 years	57,461	(4,228)	53,233
Total	<u>\$90,874</u>	<u>\$(6,739)</u>	<u>\$84,135</u>

6.4 Inventories

	December 31, 2022	December 31, 2021
Raw materials	\$366,745	\$279,004
Work in process	73,227	42,401
Finished goods	504,112	312,103
Inventory in transit	27,618	28,384
Merchandise inventories	4,933,343	4,311,779
Subtotal	\$5,905,045	\$4,973,671
Allowance for inventory valuation losses	(430,591)	(434,051)
Total	<u>\$5,474,454</u>	<u>\$4,539,620</u>

The gain on reversal of decline in market value is due to the sales of obsolete inventory in 2022.

6.5 Reinsurance contract assets

	December 31, 2022	December 31, 2021
Claims and payment recoverable from reinsurers	\$1,291,244	\$954,684
Intercompany reinsurance receivables	22,710	25,547
	<u>\$1,313,954</u>	<u>\$980,231</u>
Reinsurance reserve asset:		
Ceded unearned premium reserve	\$431,129	\$365,791
Ceded claims reserve	459,605	283,847
Subtotal	<u>\$890,734</u>	<u>\$649,638</u>
Total	<u>\$2,204,688</u>	<u>\$1,629,869</u>

6.6 Bills discounted and loans

	December 31, 2022		
	Normal loan	Delinquent loan	Total
Policy loans	\$30,526,502	\$-	\$30,526,502
Automatic premium loans	11,960,426	-	11,960,426
Secured loans	27,176,907	-	27,176,907
	<u>\$69,663,835</u>	<u>\$-</u>	<u>\$69,663,835</u>
Less: Loss allowance	(407,618)	-	(407,618)
Total	<u>\$69,256,217</u>	<u>\$-</u>	<u>\$69,256,217</u>

	December 31, 2021		
	Normal loan	Delinquent loan	Total
Policy loans	\$29,799,546	\$-	\$29,799,546
Automatic premium loans	11,907,781	-	11,907,781
Secured loans	29,205,262	-	29,205,262
	<u>\$70,912,589</u>	<u>\$-</u>	<u>\$70,912,589</u>
Less: Loss allowance	(438,036)	-	(438,036)
Total	<u>\$70,474,553</u>	<u>\$-</u>	<u>\$70,474,553</u>

As of December 31, 2022 and 2021, there was no receivables past due more than 6 months.

The loss allowance recognized and eliminated for the years ended December 31, 2021 and 2020 are as follows:

	2022					
	12-month expected credit loss	Lifetime expected credit loss - non- credit loss	Lifetime expected credit loss- credit loss	Loss allowance recognized on implementation of IFRS 9	Loss allowance based on “Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”	Total
Opening balance	\$6	\$4	\$686	\$696	\$437,340	\$438,036
—Derecognition of financial assets in the period	-	-	(71)	(71)	-	(71)
Loss allowance on net measurement	(1)	(3)	(520)	(524)	-	(524)
Loss allowance based on "Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises:"- movement in the current period	-	-	-	-	(29,822)	(29,822)
Foreign exchange and other differences	(5)	4	-	(1)	-	(1)
Closing balance	\$-	\$5	\$95	\$100	\$407,518	\$407,618

2021

	12-month expected credit loss	Lifetime expected credit loss - non- credit loss	Lifetime expected credit loss- credit loss	Loss allowance recognized on implementation of IFRS 9	Loss allowance based on “Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”	Total
Opening balance	\$150	\$1	\$2,388	\$2,539	\$444,501	\$447,040
—Derecognition of financial assets in the period	(11)	-	(278)	(289)	-	(289)
Loss allowance on net measurement	(134)	3	(1,424)	(1,555)	-	(1,555)
Addition of new financial assets	1	-	-	1	-	1
Loss allowance based on "Guidelines for Handling Assessment of Assets, Loans overdue, Receivable on Demand and Bad Debts by Insurance Enterprises:"- movement in the current period	-	-	-	-	(7,161)	(7,161)
Closing balance	\$6	\$4	\$686	\$696	\$437,340	\$438,036

6.7 Financial assets at fair value through profit or loss – non-current

Item	December 31,2022	December 31,2021
1. Common stocks	\$29,178,300	\$10,084,306
2. Preferred stocks	120,636	124,018
3. Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	6,035,151	2,386,299
4. Financial bonds	4,254,628	4,541,774
5. Beneficiary certificates and others	17,704,190	16,970,790
6. Cross currency swaps contracts	-	980,647
7. Foreign stocks	2,143,561	8,149,718
8. Foreign depository receipts	368,560	312,730
9. Foreign bonds	1,657,683	2,015,076
10. Foreign beneficiary securities	17,738,706	18,030,790
Total	<u>\$79,201,415</u>	<u>\$63,596,148</u>

Gain or loss on valuation of financial assets recognized in the account of gain or loss on financial assets (liabilities) measured at FVTPL (included current and non-current) were losses amounted to \$3,838,173 thousand and losses amounted to \$2,081,826 thousand for the years ended December 31, 2022 and 2021, respectively.

The subsidiary MLI has applied IFRS 9 together with IFRS 4 “Insurance Contracts” in 2018 using the “overlay approach” to recognize the gains and losses. The financial assets eligible for the overlay approach in connection with the insurance contracts issued by the subsidiary MLI are as follows:

Item	December 31,2022	December 31,2021
1. Common stocks	\$29,150,454	\$10,054,994
2. Preferred stocks	17,436	17,818
3. Beneficiary certificates and others	17,704,190	16,970,790
4. Financial bonds	4,254,628	4,541,774
5. Foreign beneficiary securities	17,683,329	17,981,724
6. Foreign stocks	2,143,561	8,149,718
7. Foreign depository receipts	368,560	312,730
8. Foreign bonds	1,657,683	2,015,076
Total	<u>\$72,979,841</u>	<u>\$60,044,624</u>

For the years ended December 31, 2022 and 2021, the reclassification of profit or loss and other comprehensive income as a result of designating financial assets with the overlay method are as follows:

Item	2022	2021
Gains (losses) on adopting IFRS 9	\$(10,167,129)	\$2,591,094
Less: Gains (losses) if IAS 39 were adopted	(6,945,893)	4,644,096
Gains (losses) adjustment on adopting the overlay approach	\$(3,221,236)	\$(2,053,002)

Due to the adjustment on the overlay approach, the loss of \$67,822,759 thousand decreased to \$64,601,523 thousand, and the gain of \$9,414,086 thousand increased to \$11,467,088 thousand, resulted in profit in financial assets measured at FVTPL for the years ended December 31, 2022 and 2021, respectively.

In relation to financial assets which did not fulfill the conditions to adopt the overlay approach in the past, the subsidiary MLI has not designated these financial assets to adopt the overlay approach in the current year, although they fulfill the conditions for the years ended December 31, 2022 and 2021. Hence, there was no change in designation in the current year.

6.8 Financial assets at fair value through other comprehensive income- non-current

Item	December 31,2022	December 31,2021
Debt instruments		
1. Government bonds	\$9,888,641	\$8,843,839
2. Corporate bonds	19,095,238	20,127,512
3. Financial bonds	2,743,401	5,392,092
4. Foreign bonds	11,806,891	10,304,221
Subtotal	\$43,534,171	\$44,667,664
Equity instruments		
1. Unquoted stocks	\$943,732	\$1,315,225
2. Preferred stocks	29,408	58,496
Subtotal	\$973,140	\$1,373,721
Total	\$44,507,311	\$46,041,385

1. Debt instruments measured at FVOCI

A. The Company and its subsidiaries identify that debt instruments are held within a business model whose main objective is achieved both by collecting contractual cash flows and by selling securities, and recognized these instruments as financial assets measured at FVOCI.

B. The accumulated loss allowance for the year ended December 31, 2022 and 2021 derived from financial assets measured at FVOCI are as follows:

Item	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss - credit loss	Total
Balance as of January 1, 2022	\$2,011	\$-	\$-	\$2,011
Loss allowance on net measurement	2,455	-	-	2,455
Additions in the current period	559	-	-	559
Disposals in the current period	(308)	-	-	(308)
Foreign exchange and other differences	6	-	-	6
Balance as of December 31, 2022	<u>\$4,723</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,723</u>

Item	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss - credit loss	Total
Balance as of January 1, 2021	\$7,053	\$-	\$-	\$7,053
Loss allowance on net measurement	(3,554)	-	-	(3,554)
Additions in the current period	636	-	-	636
Disposals in the current period	(2,107)	-	-	(2,107)
Foreign exchange and other differences	(17)	-	-	(17)
Balance as of December 31, 2021	<u>\$2,011</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,011</u>

The accumulated impairment loss on interest receivable from financial assets measured at FVOCI on December 31, 2022 and 2021 were \$21 thousand and \$9 thousand, respectively.

As the carry amount of the financial assets measured at FVOCI is presented at fair value, the loss allowance described above has not been presented in the balance sheet.

2. Equity instruments measured at FVOCI

The Company and its subsidiaries identify that equity instruments are held within a business model whose main objective is to hold the securities for the long term, and recognized these instruments as financial assets held for sale and financial assets measured at FVOCI.

6.9 Financial assets at amortized cost- non-current

Item	December 31,2022	December 31,2021
1.Government bonds	\$92,918,241	\$92,298,935
2.Corporate bonds	59,493,218	62,252,579
3.Financial bonds	21,174,934	31,301,674
4.Beneficiary certificates	1,999,926	999,979
5.Foreign bonds	834,605,379	737,916,183
Less: Guarantee deposits paid	(9,357,840)	(4,778,243)
Total	\$1,000,833,858	\$919,991,107

The accumulated loss allowance for the years ended December 31, 2022 and 2021, derived from financial assets measured at amortized costs (including statutory refundable deposits) are as follows:

Item	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss – credit loss	Total
Balance as of January 1, 2022	\$26,415	\$-	\$-	\$26,415
Due to changes in financial instruments recognized at the beginning of the period:				
Converted to lifetime expected credit loss - credit loss	(514)	-	514	-
Financial assets derecognized in the current period	(2,135)	-	-	(2,135)
Loss allowance on net measurement	72,261	-	821,139	893,400
Additions in the current period	6,043	-	-	6,043
Foreign exchange and other differences	2,273	-	56	2,329
Balance as of December 31, 2022	\$104,343	\$-	\$821,709	\$926,052

Item	12-month expected credit loss	Lifetime expected credit loss- non-credit loss	Lifetime expected credit loss- credit loss	Total
Balance as of January 1, 2021	\$82,820	\$-	\$-	\$82,820
Loss allowance on net measurement	(48,013)	-	-	(48,013)
Additions in the current period	5,505	-	-	5,505
Disposals in the current period	(12,324)	-	-	(12,324)
Foreign exchange and other differences	(1,573)	-	-	(1,573)
Balance as of December 31, 2021	\$26,415	\$-	\$-	\$26,415

The accumulated impairment losses on interest receivable from financial assets measured at amortized cost on December 31, 2022 and 2021 were \$19,491 thousand and \$224 thousand, respectively, and the accumulated impairment losses on guarantee deposits paid were \$118 thousand and \$70 thousand, respectively.

The current gains (losses) of financial assets measured at amortized costs and the derecognized carrying amount for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Derecognized carrying amount	\$21,678,001	\$52,602,629
Recognized current gain	\$2,026,181	\$8,063,423

6.10 Investments accounted for under equity method

The financial statements of certain investee companies under investments accounted for under equity method in the consolidated financial statements were audited by other auditors whose reports thereon have been furnished to us. The amount of investments in the investee companies were \$5,924,375 thousand and \$3,805,152 thousand as of December 31, 2022 and 2021 and the recognized shares of profit of associates and joint ventures accounted for under equity method of these investee companies were \$204,063 thousand and \$641,520 thousand for the years ended December 31, 2022 and 2021 respectively.

1. The investments accounts for under equity method on December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Associates	\$5,924,375	\$3,807,293
Joint ventures	95,662	95,547
Total	\$6,020,037	\$3,902,840

2. The shares of profit of associates and joint ventures accounted for under equity method for the year ended December 31, 2022 and 2021 are as follows:

	2022	2021
Share of profit of associates and joint ventures accounted for under equity method	\$218,170	\$655,579

3. Associates

- (1) Basic information of the associates that are material to the Company and its subsidiaries are as follows:

Company	Main business place	Percentage of ownership		Nature of relationship	Methods of measurement
		December 31, 2022	December 31, 2021		
Fuh Hwa Securities Investment Trust Co., Ltd. ("FHSIT")	TW	30.75%	34.53%	Significant influence	Equity method
CMG International one Co. Ltd. ("CMG ONE")	TW	45.00%	45.00%	Significant influence	Equity method
CMG International two Co. Ltd. ("CMG TWO")	TW	45.00%	45.00%	Significant influence	Equity method

- (2) The summarized financial information of the associates that are material to the Company are as follow:

Balance sheets

	FHSIT	
	December 31, 2022	December 31, 2021
Current Assets	\$3,614,469	\$4,122,510
Non-current Assets	887,670	922,930
Current Liabilities	1,657,114	2,125,023
Non-current Liabilities	77,311	141,629
Total net assets	\$2,767,714	\$2,778,788
Share in associate's net assets	\$850,968	\$959,411
Carrying amount of the associate	\$1,455,503	\$1,598,826

Statements of comprehensive income

	FHSIT	
	2022	2021
Revenue	\$3,117,514	\$4,133,077
Profit from continuing operations	842,349	1,297,013
Other comprehensive income (loss)	46,576	(8,975)
Total comprehensive income	\$888,925	\$1,288,038
Share of profit of the associate	\$260,961	\$518,744

Balance sheets

	CMG ONE	
	December 31, 2022	December 31, 2021
Current Assets	\$3,815,067	\$1,269,725
Non-current Assets	1,687	250,615
Current Liabilities	156,994	32,302
Non-current Liabilities	202,070	-
Total net assets	\$3,457,690	\$1,488,038
Share in associate's net assets	\$1,555,961	\$669,617
Carrying amount of the associate	\$1,555,961	\$669,617

Statements of comprehensive income

	CMG ONE	
	2022	2021
Revenue	\$-	\$-
Profit (loss) from continuing operations	(30,347)	(11,527)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$(30,347)	\$(11,527)
Share of profit (loss) of the associate	\$(13,656)	\$(5,187)

Balance sheets

	CMG TWO	
	December 31,2022	December 31,2021
Current Assets	\$4,519,349	\$1,268,905
Non-current Assets	9,355	256,454
Current Liabilities	263,561	48,978
Non-current Liabilities	329,756	-
Total net assets	\$3,935,387	\$1,476,381
Share in associate's net assets	\$1,770,923	\$664,371
Carrying amount of the associate	\$1,770,923	\$664,371

Statements of comprehensive income

	CMG TWO	
	2022	2021
Revenue	\$-	\$-
Profit (loss) from continuing operations	(40,995)	(16,869)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$(40,995)	\$(16,869)
Share of profit (loss) of the associate	\$(18,448)	\$(7,592)

- (3) The Carrying amount of the Company's individually immaterial associates amounted to \$1,141,988 thousand and \$874,479 thousand on December 31, 2022 and 2021 respectively.

The Company's share of operating results of those immaterial associates are as follows:

	2022	2021
Profit (loss) from continuing operations	\$(240,043)	\$1,240,895
Other comprehensive income (loss)	25,302	42,797
Total comprehensive income (loss)	\$(214,741)	\$1,283,692
Share of profit (loss) of the associate	\$(24,794)	\$134,066

- (4) The Company and its subsidiaries hold 30.75% of outstanding shares of FHSIT. The remaining shares are held by group of shareholders who are related parties and each hold more than 5% of shares. Base on previous experience, the Company still cannot obtain more than half of the total number of the directors. Therefore, it is determined that the Company only has significant influence of FHSIT.

4. Joint venture

The carrying amount of the Company's joint venture amounted to \$95,662 thousand and \$95,547 thousand on December 31, 2022 and 2021 respectively.

The Company's share of operating results of those joint ventures are as follows:

	2022	2021
Profit from continuing operations	\$28,214	\$31,094
Other comprehensive income	-	-
Total comprehensive income	\$28,214	\$31,094
Share of profit of the joint venture	\$14,107	\$15,547

5. The subsidiary MLI has resolved by the board of directors to dispose all the shares of FHSIT on December 29, 2022 and signed a contract with Nan Shan Life Insurance Co., Ltd.. To take effect the contract, pursuant to relevant regulations, Nan Shan Life Insurance Co., Ltd. must obtain pre-approval from the Insurance Bureau of the Financial Supervisory Commission, and FHSIT must obtain pre-approval from the Securities and Futures Bureau to change professional shareholders. The applications are in process and shares transaction will be completed thereafter.
6. Framosa Co., Ltd. has resolved by the board of directors to increase capital by cash in November, 2022 and April, 2021. The Company and subsidiary SCI invested \$230,000 thousand and the shareholding is 40%.
7. The subsidiaries MA and YP invested in HoneyBear Biosciences, Inc. ("HoneyBear") amounted to \$25,000 thousand and the shareholding is 10.15% in July 2022. The Company is the director of the Board and have significant influence over HoneyBear. Therefore, the investment was recorded under investments accounted for under equity method.
8. CMG ONE and CMG TWO have resolved by the board of directors to increase capital by cash in May, 2022. The subsidiary ML invested \$900,000 thousand and 1,125,000 thousand in CMG ONE and CMG TWO respectively and shareholding are 45% in both investees.
9. The subsidiaries MLI and MF&B sold the HS shares and recognized gain on disposal of investment amounted to \$267,198 thousand in 2021. The Company's shareholding changed to 8.26%.
10. The Company and subsidiary MFB sold the FHSIT shares and recognized gain on disposal of investment amounted to \$254,685 thousand and \$367,834 thousand in 2022 and 2021 respectively. The Company's shareholding changed to 30.75%.

11. The subsidiary MLI invested in NFC II Renewable Power Co., Ltd. amounted to \$157,500 thousand and the shareholding is 21% in March 2022 and November 2021.
12. The subsidiary MA signed a Joint Venture Agreement with BOT NOR Co., Ltd. to set up Sanor Co., Ltd. amounted to \$80,000 thousand and the shareholding is 50% in January 2021.
13. The subsidiary MA invested in TriHealth Enterprise Co., Ltd. amounted to \$70,000 thousand and the shareholding is 21.21% in July 2021.

6.11 Property, plant and equipment

	2022				Total
	Land	Buildings	Others	Prepayment and construction in progress	
<u>2022.1.1</u>					
Cost	\$11,122,978	\$7,031,749	\$6,005,105	\$982,839	\$25,142,671
Accumulated depreciation and impairment	-	(1,732,988)	(4,017,954)	-	(5,750,942)
Total	<u>\$11,122,978</u>	<u>\$5,298,761</u>	<u>1,987,151</u>	<u>\$982,839</u>	<u>\$19,391,729</u>
Additions	314,121	218,716	870,448	1,485,748	2,889,033
Disposals & Scraps	(748,438)	(290,012)	(19,382)	-	(1,057,832)
Depreciation	-	(177,425)	(760,046)	-	(937,471)
Impairment	-	-	(1,949)	-	(1,949)
Reclassification	90,216	15,759	399,480	(704,371)	(198,916)
Transfer to investment property	(1,973,634)	(510,643)	-	-	(2,484,277)
Revaluation	915,063	292,935	-	-	1,207,998
Net exchange differences	-	2,349	52	-	2,401
<u>2022.12.31</u>					
Cost	\$9,720,306	\$6,399,042	\$6,877,571	\$1,764,216	\$24,761,135
Accumulated Depreciation and impairment	-	(1,548,602)	(4,401,817)	-	(5,950,419)
Total	<u>\$9,720,306</u>	<u>\$4,850,440</u>	<u>\$2,475,754</u>	<u>\$1,764,216</u>	<u>\$18,810,716</u>

	2021				
	Land	Buildings	Others	Prepayment and construction in progress	Total
<u>2021.1.1</u>					
Cost	\$8,728,255	\$5,883,874	\$5,620,858	\$410,485	\$20,643,472
Accumulated depreciation and impairment	-	(1,615,426)	(3,751,050)	-	(5,366,476)
Total	<u>\$8,728,255</u>	<u>\$4,268,448</u>	<u>1,869,808</u>	<u>\$410,485</u>	<u>\$15,276,996</u>
Additions	2,407,730	1,070,830	720,571	825,627	5,024,758
Disposals & Scraps	(13,007)	(17,913)	(38,374)	(2,373)	(71,667)
Depreciation	-	(152,411)	(744,077)	-	(896,488)
Impairment	-	-	(2,034)	-	(2,034)
Reclassification	-	128,915	181,237	(250,900)	59,252
Net exchange differences	-	892	20	-	912
<u>2021.12.31</u>					
Cost	\$11,122,978	\$7,031,749	\$6,005,105	\$982,839	\$25,142,671
Accumulated Depreciation and impairment	-	(1,732,988)	(4,017,954)	-	(5,750,942)
Total	<u>\$11,122,978</u>	<u>\$5,298,761</u>	<u>1,987,151</u>	<u>\$982,839</u>	<u>\$19,391,729</u>

- (1) In order to activated the assets, the Company and subsidiary MFB have resolved by the board of directors to sell the land and buildings in Tainan to Taishin Life Insurance Co., Ltd. and signed the sale and leaseback contract in November 2022. The contract price were \$520,798 thousand and \$453,202 thousand respectively. Total \$47,965 thousand of the loss on rights transferred of the sale and leaseback were recognized.
- (2) The subsidiary SCI has purchased land for the construction of its factory in Taoyuan Luzhu that was auctioned by the court. The title deed of certain portion of the land, measuring 2,259 square meters, was given to Mr. Wong Weichyun due to certain legal requirements. However, both parties agreed that the subsidiary SCI is the actual owner of the land.
- (3) There is no item of property, plant and equipment impaired for the years 2022 and 2021.
- (4) As of December 31, 2022, the property, plant and equipment pledged as collateral, please refer to Note 8 pledged assets.

6.12 Lease arrangements

The Company and its subsidiaries lease various assets including building and transportation equipment. Rental contracts are typically made from 1 to 12 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes. The carrying amount of right-of-use assets and the depreciation charge are as follow:

1. Right-of-use assets

	December 31,2022	December 31,2021
Carrying amount		
Buildings	\$4,044,313	\$3,867,958
Transportation equipment	29,771	42,185
Other equipment	34,924	27,129
Total	<u>\$4,109,008</u>	<u>\$3,937,272</u>

	2022	2021
Right-of-use assets additions	<u>\$1,705,880</u>	<u>\$1,401,175</u>

	2022	2021
Depreciation charge		
Buildings	\$1,386,743	\$1,394,229
Transportation equipment	23,568	22,774
Other equipment	14,145	13,975
Total	<u>\$1,424,456</u>	<u>\$1,430,978</u>

2. Lease liabilities

The Company and its subsidiaries lease liabilities on December 31, 2022 and 2021 are as follows:

	December 31,2022	December 31,2021
Lease liabilities - current	<u>\$1,208,545</u>	<u>\$1,314,353</u>
Lease liabilities - non-current	<u>\$3,018,301</u>	<u>\$2,749,701</u>

The information on profit and loss accounts relating to lease contracts are as follows:

	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$43,027	\$43,784
Variable lease payments not included in the measurement of lease liabilities	\$28,119	\$27,333
Expense on short-term lease contracts	\$91,535	\$134,941
Expense on leases of low-value assets	\$10,790	\$13,546

6.13 Investment property

	2022		
	Land	Buildings	Total
Balance as of January 1, 2022	\$21,437,575	\$4,692,945	\$26,130,520
Disposals	(4,914,065)	(2,071,485)	(6,985,550)
Follow-up cost	-	8,537	8,537
Transfer from PP&E	1,973,634	510,643	2,484,277
Gain (loss) on fair value adjustment	(66,492)	126,284	59,792
Balance as of December 31, 2022	\$18,430,652	\$3,266,924	\$21,697,576
	2021		
	Land	Buildings	Total
Balance as of January 1, 2021	\$22,401,952	\$4,848,416	\$27,250,368
Disposals	(975,844)	(200,460)	(1,176,304)
Follow-up cost	-	19,245	19,245
Gain on fair value adjustment	11,467	25,744	37,211
Balance as of December 31, 2021	\$21,437,575	\$4,692,945	\$26,130,520

1. As of December 31, 2022 and 2021, fair value information are as follow:

Source of FV	December 31,2022	December 31,2021
External appraisal	\$21,697,576	\$26,130,520

2. The main contents of investment property for each companies are as follow:

(1)The Company

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on “Regulations on Real Estate Appraisal” with the valuation dates on December 31, 2022 and 2021.

Name of appraisers firm	December 31,2022	December 31,2021
Panasia Real Estate Appraisers Joint Firm	Yang, Min-An	Yang, Min-An

Fair value of investment property is based on valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of market liquidity and easy access to comparable sales and rental information in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach, direct capitalization method and discount cash flow method of the income approach. Undeveloped lands are appraised mainly using the comparison approach, land development analysis approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company’s current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31,2022	December 31,2021
Expected future cash inflows	\$2,519,081	\$2,511,308
Expected future cash outflows	(82,930)	(83,197)
Net cash inflows	<u>\$2,436,151</u>	<u>\$2,428,111</u>

Rent information in the neighboring areas are as follows:

	December 31,2022	December 31,2021
Contract rent (square meter/month/dollar)	\$223~\$1,235	\$223~\$1,408
Market rent (square meter/month/dollar)	\$344~\$1,670	\$319~\$1,650

Main parameters	December 31,2022	December 31,2021
Income capitalization rate	2.04%~3.70%	2.09%~3.79%
Discount rate	2.37%~3.57%	2.15%~3.45%

Fair value of undeveloped lands are measured by land development analysis. Increase in estimated total sale price, increase in rate of return, or decrease in overall capital interest rate would result in increase in the fair value. Significant assumptions used are as follows:

	December 31,2022	December 31,2021
Estimated total sale price	<u>\$23,691</u>	<u>\$23,691</u>
Rate of return	15%	15%
Overall capital interest rate	1.02%	1.02%

The rate of returns are determined by reference to the annual profit rate and construction period of the similar product. Overall capitalization rate referred to interest rate of bank loan, demand deposit and 1 year time deposit and also considered the proportion of equity funds and borrowed funds.

(2)The subsidiary MLI

The fair value of investment property was based on valuation by a qualified independent appraiser who performed the appraisal based on “Regulations on Real Estate Appraisal” with the valuation dates on December 31, 2022 and 2021.

Name of appraisers firm	December 31,2022	December 31,2021
Jin Han Real Estate Appraisers Joint Firm	Wu, Yu-Chun, Chen, Yi-Chun	Wu, Yu-Chun, Chen, Yi-Chun
REPro International Appraisals	Tsai, Yu-Hsiang, Hsu, Hsiang-Yi	Wu, Hong-Hsu, Tsai, Yu-Hsiang, Hsu, Hsiang-Yi

The fair value of investment property is based on a valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of the market liquidity and easier access to comparable sales and rental cases in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach as a primary method as well as cost approach, direct capitalization method and discount cash flow method of the income approach. Factories are appraised by comparison approach, capitalization method of the income approach, and cost approach.

The inputs applied are as follows:

	December 31,2022	December 31,2021
Income capitalization rate	about 1.75%~3.23%	about 1.75%~3.23%
Discount rate	-	-

Professional valuation agencies use the market extraction method, search several comparable properties similar to the subject property, and consider the liquidity risk and future disposal risk premium to decide on the income capitalization discount rate.

The investment properties held by the subsidiary MLI are subsequently measured using the fair value model, and categorized into Level 3. When the mail inputs, discount rate and income capitalization rate, has increased, the fair value decrease, and vice versa.

(3)The subsidiary MFB

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on “Regulations on Real Estate Appraisal” with the valuation dates on December 31, 2022 and 2021.

Name of appraisers firm	December 31,2022	December 31,2021
Panasia Real Estate Appraisers Joint Firm	Yang, Min-An	Yang, Min-An

Fair value of investment property is based on valuation by a professional evaluation agency and supported by market evidence. Appraising methods include the comparison approach, direct capitalization method of the income approach and discount cash flow method of the income approach. Commercial office buildings are appraised mainly using the comparison approach and income approach because of market liquidity and easy access to comparable sales and rental information in the neighboring areas. Marketplace depending on their characteristics, terms of rental contracts and reference of similar cases are generally appraised using the comparison approach, direct capitalization method and discount cash flow method of the income approach. Undeveloped lands are appraised mainly using the comparison approach, land development analysis approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company’s current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31,2022	December 31,2021
Expected future cash inflows	\$21,730	\$21,052
Expected future cash outflows	(430)	(401)
Net cash inflows	\$21,300	\$20,651

Main parameters	December 31,2022	December 31,2021
Income capitalization rate	2.42%	2.25%
Discount Rate	2.37%	2.15%

Fair value of undeveloped lands are measured by land development analysis. Increase in estimated total sale price, increase in rate of return, or decrease in overall capital interest rate would result in increase in the fair value. Significant assumptions used are as follows:

	December 31,2022	December 31,2021
Estimated total sale price	\$110,663	\$102,654
Rate of return	14%	13%
Overall capital interest rate	1.37%	1.16%

The rate of returns are determined by reference to the annual profit rate and construction period of the similar product. Overall capitalization rate referred to interest rate of bank loan, demand deposit and 1 year time deposit and also considered the proportion of equity funds and borrowed funds.

(4)The subsidiary ML

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on “Regulations on Real Estate Appraisal” with the valuation dates on December 31, 2022 and 2021.

Name of appraisers firm	December 31,2022	December 31,2021
Panasia Real Estate Appraisers Joint Firm	Yang, Min-An	Yang, Min-An

The fair value of investment property is based on a valuation by a professional evaluation agency and supported by market evidence. Undeveloped lands are appraised mainly using the comparison approach and discount cash flow method of the income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. The income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China. Future cash out flow which consists of expenses directly related to operations, i.e. land tax, management fee, and amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operation and possible changes in the future.

Investment properties measured using fair value model are categorized into Level 3 and related expected future cash inflows are as follow:

	December 31,2022	December 31,2021
Expected future cash inflows	\$1,347,396	\$1,270,405
Expected future cash outflows	(28,321)	(26,869)
Net cash inflows	\$1,319,075	\$1,243,536

Main parameters	December 31,2022	December 31,2021
Income capitalization rate	3.42%	2.95%
Discount Rate	3.37%	2.80%

(5)The subsidiary YP

Fair value is based on valuation performed by qualified independent appraisers who performed the appraisal based on "Regulations on Real Estate Appraisal" with the valuation dates on September 30, 2022. The appraiser confirmed the validity of the valuation report and the fair value information as December 31, 2022.

Name of appraisers firm	December 31,2022
Bon-De Real Estate Appraisers Joint Firm	Mao, Bing-Ji

Fair value of investment property is based on valuation performed by a professional evaluation agency which supported by market evidence. The main appraisal methods used are income approach, land development analysis approach and comparison approach. Most of the land in the industrial zone is underutilized, and it is not used on the premise of fully utilizing the volume, but based on production line planning. As a result, the comparison approach is mostly used.

The percentage method is used to adjust the evaluation in the appraisal process by comparing the regional and individual factors that differ from the comparable property, and the price is adjusted according to the percentage difference determined by the degree of superiority or inferiority.

3. Investment property is a commercial real estate leased to others, for more information please refer Note 6.23.
4. The subsidiary YP leased a land in Guanyin district of Taoyuan City to Framosa Co., Ltd. in September 2022. The subsequent measurement based on the fair value and recognized an increase in revaluation reserve of properties of \$334,629 thousand. Related PP&E were transferred to Investment property with fair value of \$562,641 thousand.
5. In order to activated the assets, the Company has resolved by the board of directors to sell the land and buildings in Luzhu District, Taoyuan City on September 17, 2021 and signed a supplementary contract with a revised price of 1,553,000 thousand on October 25, 2021. This transaction has been completed in November 2021, and recognized \$216,296 thousand of gain on disposal of investment property and \$124,944 thousand of gain on disposal of PPE.
6. The land in Yangmei can not be registered under the Company's name for limited usage in agricultural and forestry only. Therefore, it is registered under Mr. Wang Zhihua and a trust contract had been signed for protection.
7. The land held by the subsidiary ML includes agricultural land, in which a trust contract had been signed and other relevant rights having the Company as the creditor had been established for the assurance purpose.
8. Lands appraisal according legal present value had been performed on December 31, 1987. Total land value increased \$17,407 thousand and after net of land value increment tax of \$8,153 thousand net value increment of \$8,796 thousand was transferred to retained surplus on January 1, 2012 as IFRS adoption.

9. Land (lot number 210-212, located at Subsection 1 of Linyi Section in Taipei City) amounted to \$133,123 thousand was partially expropriated by Bureau of Taipei MRT in September 2002. Remaining land of \$17,005 thousand had been transferred to investment property.
10. As of December 31, 2022, the Company and its subsidiaries have not provided the Investment property as collateral.

6.14 Other non-current assets

	December 31, 2022	December 31, 2021
Refundable deposits	\$9,995,625	\$6,222,964
Long-term installment accounts receivable	1,207	-
Long-term lease payment receivable	45,923	53,233
Separate account assets for unit-linked products	143,001,896	136,143,090
Prepayments for investments	8,409	13,745
Others	609,913	404,762
Total	<u>\$153,662,973</u>	<u>\$142,837,794</u>

The subsidiary MLI's separate account for unit-linked products are as follows:

	December 31, 2022		
	Separate accounts — insurance contracts and financial instruments with discretionary participation features	Separate accounts — financial instruments without discretionary participation features	Total
Separate account assets for unit-linked products:			
Financial assets at FVTPL	\$60,240,114	\$76,833,253	\$137,073,367
Bank deposits	3,534,036	1,489,955	5,023,991
Other receivables	904,538	-	904,538
	<u>\$64,678,688</u>	<u>\$78,323,208</u>	<u>\$143,001,896</u>
Separate account liabilities for unit-linked products:			
Separate account value reserve	\$60,457,197	\$78,323,208	\$138,780,405
Other payables	4,221,491	-	4,221,491
	<u>\$64,678,688</u>	<u>\$78,323,208</u>	<u>\$143,001,896</u>

	December 31, 2021		
	Separate accounts — insurance contracts and financial instruments with discretionary participation features	Separate accounts — financial instruments without discretionary participation features	Total
Separate account assets for unit-linked products:			
Financial assets at FVTPL	\$65,341,929	\$64,482,007	\$129,823,936
Bank deposits	3,152,836	2,272,755	5,425,591
Other receivables	893,563	-	893,563
	<u>\$69,388,328</u>	<u>\$66,754,762</u>	<u>\$136,143,090</u>
Separate account liabilities for unit-linked products:			
Separate account value reserve	\$65,668,627	\$66,754,762	\$132,423,389
Other payables	3,719,701	-	3,719,701
	<u>\$69,388,328</u>	<u>\$66,754,762</u>	<u>\$136,143,090</u>

The related revenues and expenses of separate accounts—insurance contracts and financial instruments with discretionary participation features are as follows:

	2022	2021
Separate account for unit-linked products revenues:		
Premium income	\$8,301,403	\$8,772,679
Gain (Loss) on valuation of financial liability at FVTPL	(8,069,884)	(525,614)
Gain on disposal of financial liability at FVTPL	(592,877)	887,030
Gain (loss) on exchange	279,175	(190,627)
Interest revenue	602,150	560,346
Total	<u>\$519,967</u>	<u>\$9,503,814</u>
Separate account for unit-linked products expenses:		
Insurance benefits	\$85,611	\$78,003
Early termination charge	4,281,382	6,701,499
Separate account value reserve net change	(5,579,911)	1,131,915
Management fee	1,732,885	1,592,397
Total	<u>\$519,967</u>	<u>\$9,503,814</u>

As a result of selling investment-linked products, the subsidiary MLI received sales rebates from counterparties amounted to \$1,309,658 thousand and \$1,079,344 thousand for the years ended December 31, 2022 and 2021, respectively, which are recorded under fee income.

6.15 Short-term borrowings

	December 31,2022	December 31,2021
Unsecured loans	\$1,397,000	\$590,000
Interest rate	0.95%~2.13%	0.91%~1.25%

The details of assets pledged as collateral, please refer to Note 8 pledged assets.

6.16 Short-term notes and bills payable

	December 31,2022	December 31,2021
Commercial paper payable	779,930	949,985
Interest rate	0.86%~2.14%	0.86%~0.97%

6.17 Accounts payable

	December 31,2022	December 31,2021
Notes payable	\$25,937	\$27,507
Accounts payable	2,967,216	2,867,002
Other payable	1,185,316	3,214,199
Payable on machinery and equipment	305,444	152,308
Accrued Expenses	2,043,583	1,786,764
Other payable-others	137,405	206,871
Total	\$6,664,901	\$8,254,651

6.18 Financial liabilities at fair value through profit or loss - non-current

Item	December 31,2022	December 31,2021
1. Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$3,389,686	\$124,987
3. Redemption options and put options of convertible bonds	34,532	2,214
Total	\$3,424,218	\$127,201

6.19 Bonds payable

	December 31,2022	December 31,2021
Perpetual cumulative subordinated corporate bond	\$8,190,000	\$8,190,000
Unsecured convertible bonds	2,300,000	2,300,000
Less: discount on bonds payable	(47,146)	(62,220)
Less: accumulated converted amount	(86,400)	(86,400)
Total	<u>\$10,356,454</u>	<u>\$10,341,380</u>

1. With the aim of future operational requirement and repay bank loans, the first issuance of convertible bonds in 2020 was approved by FSC No.1090377875 on January 25, 2020. The term sheet for the bond is set as follows:

Issue Amount	NT\$2,300,000 thousand
Issue date	January 25, 2021
Coupon Rate	0%
Issue period	January 25, 2021 ~ January 25, 2026
Repayment	Except for early call and cancellation by the Company or early put and conversion by bondholders in accordance with the terms and conditions set by the Company, the bondholders will receive in cash at maturity of the convertible bonds.
Redemption at the option of the Company	1. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the closing price of its common shares on the Taiwan Stock Exchange is over 30% of the conversation price for 30 consecutive trading days, the Company could redeem the outstanding bonds based on par value in cash. 2. At any time starting three months from the issue date until the 40th day prior to the maturity date, when the balance of outstanding bonds is lower than NT\$230,000 thousand of the total issuance, the Company may repurchase the outstanding bonds at par in cash.
Redemption at the option of the bondholders	Within the 40 days prior to 3 years after the issue day, the bondholders shall have the right to require the Company to redeem the bonds at redemption price of par value plus interest compensation in cash.
Conversion period	Bondholders may convert bonds into the Company's common shares at any time starting three months from the issue date to the maturity date.
Conversion price	The conversion price was \$22.5 per share at issuing. The conversion price was adjusted to \$21.54 since August 29, 2021. The conversion price was adjusted to \$20.16 since September 17, 2022.

The Company's convertible bonds have been converted into common stocks of 4,011 thousand shares and \$46,684 thousand of capital surplus are recognized.

2. The subsidiary MLI issued the first perpetual cumulative subordinated corporate bond in accordance with FSCIB No.10302131650 and FSCIB No.1030048645 on December 29, 2014. The term sheet for the bond is set as follows:

Issue Amount	NT\$5,000,000 thousand
Issue date	December 29, 2014
Principal Amount and Issue Price	The issued bond sells at the par value of 1,000 thousand.
Coupon rate	Fixed rate of 3.9% from the date of issuance to December 29, 2024, plus 1% if the subsidiary MLI does not redeem the bond in 10 years from the date of issuance.
Maturity date	No maturity date.
Payment of interest	Interest is payable annually upon coupon rate, beginning on the issue date.
Redemption	The corporate bond has no maturity date. After ten years of issuance, if the subsidiary MLI's risk based capital ratio after redemption, upon calculation, is more than twice the required minimum risk based capital ratio at the time of calculation, with the consent of the competent authority, the bond may be redeemed earlier at face value plus accrued interest. The bond can be redeemed once quarterly.
Form of bond	No physical certificate issued.

3. The subsidiary MLI issued the first perpetual cumulative subordinated corporate bond in accordance with FSCIB No. 10502121190 and OTC No. 10500315231 on November 24, 2016. The term sheet for the bond was set as follows:

Issue Amount	NT\$2,500,000 thousand
Issue date	November 24, 2016
Principal Amount and Issue Price	The issued bond sells at the par value of 1,000 thousand.
Coupon rate	Fixed rate of 3.7% from the date of issuance to November 24, 2026, plus 1% if the subsidiary MLI does not redeem the bond in 10 years from the date of issuance.
Maturity date	No maturity date.
Payment of interest	Interest is payable annually upon coupon rate, beginning on the issue date.
Redemption	The corporate bond has no maturity date. After ten years of issuance, if the subsidiary MLI's risk based capital ratio after redemption, upon calculation, is more than twice the required minimum risk based capital ratio at the time of calculation, with the consent of the competent authority, the bond may be redeemed earlier at face value plus accrued interest. The bond can be redeemed once quarterly.
Form of bond	No physical certificate issued.

4. The subsidiary MLI issued the first perpetual cumulative subordinated corporate bond in accordance with FSCIB No. 1100424942 and OTC No. 11000097201 on September 10, 2021. The term sheet for the bond was set as follows:

Issue Amount	NT\$1,000,000 thousand
Issue date	September 10, 2021
Principal Amount and Issue Price	The issued bond sells at the par value of 1,000 thousand.
Coupon rate	Fixed rate of 3.3%
Maturity date	No maturity date.
Payment of interest	Interest is payable annually upon coupon rate, beginning on the issue date.
Redemption	The corporate bond has no maturity date. After ten years of issuance, if the subsidiary MLI's risk based capital ratio after redemption, upon calculation, is more than twice the required minimum risk based capital ratio at the time of calculation, with the consent of the competent authority, the bond may be redeemed earlier at face value plus accrued interest. The bond can be redeemed once quarterly.
Form of bond	No physical certificate issued.

The Company and the subsidiary MA hold the first perpetual cumulative subordinated corporate bond of the subsidiary MLI amounted to \$310,000 thousands, which have been eliminate upon consolidation.

6.20 Long-term borrowings

1. The details are as follows:

Bank	Borrowing period and term	December 31,2022	December 31,2021
O-Bank and 13 banks guarantee syndicated loan	2021/12/01-2026/12/01 applying credit loan and issuing commercial paper	\$2,400,000	\$1,600,000
Bank SinoPac	2022/05/25-2024/05/31 applying credit loan	200,000	-
Shin Kong Bank	2022/01/26-2024/01/26 applying credit loan	300,000	-
First Bank	2022/01/28-2024/01/28 applying mortgage loan	220,000	680,000

Bank	Borrowing period and term	December 31,2022	December 31,2021
JihSun Bank	2022/09/22-2024/09/22 applying credit loan	450,000	450,000
East Asia Bank	2021/06/24-2023/06/24 applying credit loan	-	150,000
Taipei Fubon Bank	2022/01/12-2024/01/12 applying credit loan	415,000	-
Taiwan Business Bank	2022/12/06-2024/12/06 applying credit loan	250,000	-
Taishin Bank and 12 banks guarantee syndicated loan	2019/12/29-2024/12/29 applying credit loan and issuing commercial paper	2,880,000	1,920,000
Land Bank	2022/06/20-2024/06/20 applying credit loan	200,000	200,000
Entie Bank	2022/03/04-2024/03/04 applying credit loan	100,000	200,000
O-Bank	2021/07/28-2023/07/28 applying credit loan	-	400,000
Bank SinoPac	2022/05/25-2024/05/31 applying credit loan	100,000	100,000
JihSun Bank	2022/09/22-2024/09/22 applying credit loan	150,000	150,000
Taipei Fubon Bank	2022/01/12-2024/01/12 applying credit loan	100,000	-
Taichung Bank	2022/12/23-2024/12/23 applying credit loan	100,000	-
O-Bank	2022/03/17-2024/03/17 issuing commercial paper	100,000	-
E.Sun Bank	2022/09/20-2024/09/20 applying credit loan	50,000	40,000
First Bank	2022/09/08-2024/09/08 applying credit loan	40,000	140,000
Taichung Bank	2021/02/02-2024/02/02 and extend the contract period to 2025/02/09 applying credit loan	40,000	-

Bank	Borrowing period and term	December 31, 2022	December 31, 2021
Cathay United Bank and 5 banks guarantee syndicated loan	2022/05/11-2027/05/10 applying mortgage loan and issuing commercial paper	210,000	-
Land Bank	2022/04/11-2042/04/10 applying mortgage loan	76,495	-
Taiwan Bank	2022/12/19-2042/12/19 applying mortgage loan	226,000	-
Mega Bank	2022/02/25-2027/02/25 applying mortgage loan	322,767	-
Shanghai Bank	2022/11/25-2025/11/24 applying credit loan	113,000	-
Less: Deferred revenue		(3,411)	-
Less: Discount of commercial paper		(3,781)	-
Less: Current portion of Long-term borrowing		(14,678)	-
Total		<u>\$9,021,392</u>	<u>\$6,030,000</u>
Interest rate range		0.78%~2.21%	0.73%~1.79%

2. Guarantee syndicated bank loans were obtained to fulfill the Company and its subsidiaries' mid-term working capital and to improve the financial structure. According to loan agreements, the Company and its subsidiaries shall maintain its current ratio, tangible net worth and interest coverage ratio during the loan periods.
3. Certain long-term borrowings were to satisfy the demands of the Company and its subsidiaries' mid-term working capital and to improve the financial structure. According to loan agreements, the Company shall maintain its current ratio, debt ratio, net asset and interest coverage ratio during the loan periods.
4. The subsidiary SCI application for a low-interest loan for the construction of plants, purchasing equipment, and support mid-term working capital, had been approved by the National Development Fund, Executive Yuan in 2022, with Mega international Commercial Bank providing the non-revolving loan of \$1,000,000 thousand, which recognized and measured by using the market rates, with the margin interests calculated by using the rates between the actual rates and the market rates, recognized as deferred revenue (other long-term liabilities), based on the Government grants. As of December 31, 2022, the subsidiary SCI had used the credit amount of \$322,767 thousand.
5. Assets pledged as collateral please refer to Note 8 for details.

6.21 Provision – non-current

	December 31,2022	December 31,2021
Insurance liabilities (Note 6.22)	\$1,259,058,682	\$1,203,539,413
Provision for decommissioning, restoration and rehabilitation costs	12,295	13,947
Provision for long-term liabilities of legal procedures	25,869	21,960
Other provisions	7,289	4,082
Total	<u>\$1,259,104,135</u>	<u>\$1,203,579,402</u>

Provision for long-term liabilities of legal procedures please refer to Note 9 significant contingent liabilities and unrecognized contract commitments.

6.22 Insurance liabilities

	December 31,2022	December 31,2021
Unearned premium reserve	\$4,886,672	\$4,532,742
Claims reserve	2,077,828	1,868,509
Policy reserve	1,242,463,092	1,194,703,070
Special reserve	755,758	818,586
Premium deficiency reserve	1,494,572	1,204,801
Reserves for fluctuation of foreign exchange	7,380,760	411,705
Subtotal	<u>\$1,259,058,682</u>	<u>\$1,203,539,413</u>
Less:Ceded unearned premium reserve	\$431,129	\$365,791
Ceded claims reserve	459,605	283,847
Subtotal	<u>\$890,734</u>	<u>\$649,638</u>
Net	<u>\$1,258,167,948</u>	<u>\$1,202,889,775</u>

1. The reserves of the subsidiary MLI's insurance contracts and financial instruments containing discretionary participation features and the reconciliation schedules are as follows:

(1) Unearned premium reserve

The details of the subsidiary MLI's unearned premium reserve are as follows:

December 31, 2022			
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	\$3,385	\$-	\$3,385
Personal accident insurance	2,012,406	-	2,012,406
Personal health insurance	2,640,269	-	2,640,269
Group insurance	173,183	-	173,183
Investment-linked insurance	57,429	-	57,429
Total	\$4,886,672	\$-	\$4,886,672
Less: Ceded unearned premium reserve			
Personal life insurance	\$79,017	\$-	\$79,017
Personal accident insurance	18,209	-	18,209
Personal health insurance	327,592	-	327,592
Group insurance	6,311	-	6,311
Total	\$431,129	\$-	\$431,129
Net	\$4,455,543	\$-	\$4,455,543

December 31, 2021			
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	\$2,785	\$-	\$2,785
Personal accident insurance	1,831,321	-	1,831,321
Personal health insurance	2,457,897	-	2,457,897
Group insurance	187,875	-	187,875
Investment-linked insurance	52,864	-	52,864
Total	\$4,532,742	\$-	\$4,532,742
Less: Ceded unearned premium reserve			
Personal life insurance	\$75,694	\$-	\$75,694
Personal accident insurance	16,581	-	16,581
Personal health insurance	266,805	-	266,805
Group insurance	6,711	-	6,711
Total	\$365,791	\$-	\$365,791
Net	\$4,166,951	\$-	\$4,166,951

- (2) The reconciliations of changes in unearned premium reserve previously described are as follows:

	2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2022	\$4,532,742	\$-	\$4,532,742
Provision	5,548,855	-	5,548,855
Reversal of provision	(5,195,007)	-	(5,195,007)
Gain or loss on exchange	82	-	82
Balance as of December 31, 2022	\$4,886,672	\$-	\$4,886,672
Less: Ceded unearned premium reserve:			
Net balance as of January 1, 2022	\$365,791	\$-	\$365,791
Increase	431,051	-	431,051
Decrease	(366,013)	-	(366,013)
Gain or loss on exchange	300	-	300
Net balance as of December 31, 2022	\$431,129	\$-	\$431,129
Balance as of December 31, 2022	\$4,455,543	\$-	\$4,455,543
	2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2021	\$4,247,678	\$-	\$4,247,678
Provision	5,135,863	-	5,135,863
Reversal of provision	(4,850,779)	-	(4,850,779)
Gain or loss on exchange	(20)	-	(20)
Balance as of December 31, 2021	\$4,532,742	\$-	\$4,532,742
Less: Ceded unearned premium reserve:			
Net balance as of January 1, 2021	\$300,992	\$-	\$300,992
Increase	365,822	-	365,822
Decrease	(300,935)	-	(300,935)
Gain or loss on exchange	(88)	-	(88)
Net balance as of December 31, 2021	\$365,791	\$-	\$365,791
Balance as of December 31, 2021	\$4,166,951	\$-	\$4,166,951

2. Claims reserve

(1) The details of the subsidiary MLI's claims reserve and ceded claims reserve are as follows:

	December 31, 2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance			
-reported and unpaid	\$68,669	\$-	\$68,669
Personal accident insurance			
-reported and unpaid	51,172	-	51,172
-unreported and unpaid	408,965	-	408,965
Personal health insurance			
-reported and unpaid	308,637	-	308,637
-unreported and unpaid	981,778	-	981,778
Group insurance			
-reported and unpaid	27,358	-	27,358
-unreported and unpaid	203,283	-	203,283
Investment-linked insurance			
-reported and unpaid	27,966	-	27,966
Total	\$2,077,828	\$-	\$2,077,828
Less: Ceded claims reserve			
Personal life insurance	\$166,726	\$-	\$166,726
Personal accident insurance	1,875	-	1,875
Personal health insurance	291,004	-	291,004
Total	\$459,605	\$-	\$459,605
Net	\$1,618,223	\$-	\$1,618,223

	December 31, 2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance			
-reported and unpaid	\$84,545	\$-	\$84,545
Personal accident insurance			
-reported and unpaid	56,429	-	56,429
-unreported and unpaid	367,797	-	367,797
Personal health insurance			
-reported and unpaid	280,989	-	280,989
-unreported and unpaid	803,402	-	803,402
Group insurance			
-reported and unpaid	39,452	-	39,452
-unreported and unpaid	223,699	-	223,699
Investment-linked insurance			
-reported and unpaid	12,196	-	12,196
Total	\$1,868,509	\$-	\$1,868,509
Less: Ceded claims reserve			
Personal life insurance	\$106,137	\$-	\$106,137
Personal accident insurance	2,175		2,175
Personal health insurance	173,714	-	173,714
Group insurance	1,821		1,821
Total	\$283,847	\$-	\$283,847
Net	\$1,584,662	\$-	\$1,584,662

(2) The reconciliations of changes in claims reserve and ceded claims reserve previously described are as follows:

	2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2022	\$1,868,509	\$-	\$1,868,509
Provision	2,071,884	-	2,071,884
Reversal of provision	(1,863,077)	-	(1,863,077)
Gain or loss on exchange	512	-	512
Balance as of December 31, 2022	\$2,077,828	\$-	\$2,077,828
Less: Ceded claims reserve:			
Net balance as of January 1, 2022	\$283,847	\$-	\$283,847
Increase	279,491	-	279,491
Decrease	(103,744)	-	(103,744)
Gain or loss on exchange	11	-	11
Net balance as of December 31, 2022	459,605	-	459,605
Balance as of December 31, 2022	\$1,618,223	\$-	\$1,618,223
	2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2021	\$1,704,749	\$-	\$1,704,749
Provision	1,865,076	-	1,865,076
Reversal of provision	(1,700,949)	-	(1,700,949)
Gain or loss on exchange	(367)	-	(367)
Balance as of December 31, 2021	\$1,868,509	\$-	\$1,868,509
Less: Ceded claims reserve:			
Net balance as of January 1, 2021	\$22,849	\$-	\$22,849
Increase	287,872	-	287,872
Decrease	(26,867)	-	(26,867)
Gain or loss on exchange	(7)	-	(7)
Net balance as of December 31, 2021	\$283,847	-	\$283,847
Balance as of December 31, 2021	\$1,584,662	\$-	\$1,584,662

3. Policy reserve

(1) The details of the subsidiary MLI's policy reserve are as follows:

	December 31, 2022			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal life insurance	\$902,612,662	\$-	\$-	\$902,612,662
Personal health insurance	326,250,459	-	-	326,250,459
Annuities insurance	219,488	11,059,195	-	11,278,683
Investment-linked insurance	1,420,394	-	-	1,420,394
Reversal of accident	10,008	-	-	10,008
Reserve for operating loss	-	-	677,110	677,110
Amount payable to insurance holders	-	-	213,776	213,776
Total	<u>\$1,230,513,011</u>	<u>\$11,059,195</u>	<u>\$890,886</u>	<u>\$1,242,463,092</u>

	December 31, 2021			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal life insurance	\$877,331,088	\$-	\$-	\$877,331,088
Personal health insurance	296,629,237	-	-	296,629,237
Annuities insurance	214,621	18,471,573	-	18,686,194
Investment-linked insurance	1,139,261	-	-	1,139,261
Reversal of accident	10,008	-	-	10,008
Reserve for operating loss	-	-	677,110	677,110
Amount payable to insurance holders	-	-	230,172	230,172
Total	<u>\$1,175,324,215</u>	<u>\$18,471,573</u>	<u>\$907,282</u>	<u>\$1,194,703,070</u>

Amount payable to insurance holders are recognized in reserves in accordance with FSCIB No. 10704548180.

(2) The reconciliations of changes in policy reserve previously described are as follows:

	2022			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January 1, 2022	\$1,175,324,215	\$18,471,573	\$907,282	\$1,194,703,070
Provision	101,070,370	(2,458,311)	(16,396)	98,595,663
Reversal of provision	(71,032,578)	(5,269,805)	-	(76,302,383)
Gain or loss on exchange	25,151,004	315,738	-	25,466,742
Balance as of December 31, 2022	\$1,230,513,011	\$11,059,195	\$890,886	\$1,242,463,092
	2021			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January 1, 2021	\$1,127,832,498	\$22,094,110	\$916,065	\$1,150,842,673
Provision	112,610,758	(1,777,048)	(8,783)	110,824,927
Reversal of provision	(58,491,433)	(1,728,985)	-	(60,220,418)
Gain or loss on exchange	(6,627,608)	(116,504)	-	(6,744,112)
Balance as of December 31, 2021	\$1,175,324,215	\$18,471,573	\$907,282	\$1,194,703,070

4. Special reserve

(1) The details of the subsidiary MLI's special reserve are as follows:

December 31, 2022				
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal accident insurance	\$82,850	\$-	\$-	\$82,850
Personal health insurance	524,735	-	-	524,735
Gain on appreciation of real estate	-	-	148,173	148,173
Total	\$607,585	\$-	\$148,173	\$755,758

December 31, 2021				
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal accident insurance	\$81,723	\$-	\$-	\$81,723
Personal health insurance	588,690	-	-	588,690
Gain on appreciation of real estate	-	-	148,173	148,173
Total	\$670,413	\$-	\$148,173	\$818,586

The subsidiary MLI shall approve the special reserve for short-term products with low-dollar claims in according with MOF No. 831496851.

In addition, according to Article of “Regulations Governing Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance of the Person”, the fair value of the real estate has increased, the increase will be used to offset the adverse impact due to the initial application of IFRS, the remaining amount will be added to special debt provision. Based on FSCIB No. 10102515281 issued on November 30, 2012 and approved by the competent authority in 2013, the recovery of gain on appreciation of real estate special reserve does not include the surplus per share.

(2) The reconciliations of changes in special reserve previously described are as follows:

	2022			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January 1, 2022	\$670,413	\$-	\$148,173	\$818,586
Provision	(62,828)	-	-	(62,828)
Balance as of December 31, 2022	\$607,585	\$-	\$148,173	\$755,758

	2021			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January 1, 2021	\$671,844	\$-	\$148,173	\$820,017
Provision	(1,431)	-	-	(1,431)
Balance as of December 31, 2021	\$670,413	\$-	\$148,173	\$818,586

5. Premium deficiency reserve

(1)The details of the subsidiary MLI's premium deficiency reserve are as follows:

	December 31,2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	\$1,303,843	\$-	\$1,303,843
Personal health insurance	175,501	-	175,501
Group insurance	15,228	-	15,228
Total	\$1,494,572	\$-	\$1,494,572

	December 31,2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	\$1,140,015	\$-	\$1,140,015
Personal health insurance	46,923	-	46,923
Group insurance	17,863	-	17,863
Total	\$1,204,801	\$-	\$1,204,801

(2)The reconciliations of changes in premium deficiency reserve previously described are as follows:

	2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2022	\$1,204,801	\$-	\$1,204,801
Provision	290,350	-	290,350
Reversal of provision	(19,682)	-	(19,682)
Gain or loss on exchange	19,103	-	19,103
Balance as of December 31, 2022	\$1,494,572	\$-	\$1,494,572

	2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2021	\$1,616,884	\$-	\$1,616,884
Provision	(380,585)	-	(380,585)
Reversal of provision	(22,291)	-	(22,291)
Gain or loss on exchange	(9,207)	-	(9,207)
Balance as of December 31, 2021	\$1,204,801	\$-	\$1,204,801

6. Liability adequacy reserve

The subsidiary MLI tested the following liability adequacy in accordance with the IFRS 4 on December 31, 2022 and 2021 are as follows:

(1)The type of products using total premium evaluation method, the details of the liability adequacy reserve are as follows:

Insurance contracts and financial instruments containing discretionary participation features	December 31,2022	December 31,2021
Policy reserve	\$1,241,562,199	\$1,193,785,780
Unearned premium reserve	4,703,853	4,333,411
Premium deficiency reserve	1,479,344	1,186,938
Other provisions of the law or voluntary increase for the strengthening of financial reserves	1,294,703	1,357,531
Carrying amount of insurance liability	\$1,249,040,099	\$1,200,663,660
Estimated future cash flows amount	\$982,205,888	\$964,510,632
Balance of liability adequacy reserve	\$-	\$-

The carrying amount of insurance liabilities is adequate compared with the amount using current estimates of future cash flows under insurance contracts on December 31, 2022 and 2021. As a result, the subsidiary MLI does not have to set aside the liability adequacy reserve.

(2)The type of products using expected cost method, the details of the liability adequacy reserve are as follows:

Insurance contracts and financial instruments containing discretionary participation features	December 31,2022	December 31,2021
Unearned premium reserve	\$182,819	\$199,331
Premium deficiency reserve	15,228	17,863
Carrying amount of insurance liability	\$198,047	\$217,194
Expected premium income in the future	\$361,005	\$364,463
Expected claims and expenses in the future	\$494,708	\$465,716
Balance of liability adequacy reserve	\$-	\$-

The carrying amount of insurance liabilities and expected premium income in the future is adequate compared with the expected claims and expenses of future under insurance contracts on December 31, 2022 and 2021. As a result, the subsidiary MLI does not have to set aside the liability adequacy reserve.

The subsidiary MLI does the following liability adequacy tests:

Method	The following two types of products are the test bases: (1)For Long Term Life Insurance, Universal Life Insurance, Investment Insurance (General account with value-added benefits), Long Term Health Insurance, Long Term Accident Insurance, Immediate Annuity Insurance and Interest-Sensitive Annuity Insurance / Variable Annuity Insurance Annuitization Policy, Interest-Sensitive Insurance, and One-Year Life Insurance, Accident Insurance and Health Insurance attached to the long-term insurance, use the “total premium evaluation method”. (2)For Personal Life Insurance less than one year, Personal Accident Insurance, Personal Accident Insurance, Travel Accident Insurance and Group Insurance (excluding Group Interest-Sensitive Annuity Insurance), use the “expected cost method”.
Population	All valid contracts as a whole

Description of Important Assumptions	The subsidiary MLI adopts the assumption basis from the Appointed Actuary report to establish the actuarial assumptions for this test. Discount rate: Referring to the subsidiary MLI overall portfolio investment yields rate under the best estimate scenario (adopt the unbiased hypothesis in 30 year later) stated in the Actuarial Standard of Practice in the Life Insurance Industry. Starting from 2012, the date of filing for financial report has been advanced to the end of March, the deadline for annual Appointed Actuary report is also adjusted accordingly. The application in practice is as follows: The discount rate of the liability adequacy test of the first quarter should be the same as that of the Appointed Actuary report in March. As for the related assumptions of the discount rate from the second to fourth quarter in the same year, they will be based according to the calculation used on the discount rate in the first quarter. When considering current information, the principle of consistency should be applied to the reevaluation of discount rate assumptions. Other key actuary assumptions: Other key actuary assumptions are set by the principle of actuarial assumption of reserve adequacy stated in the Actuarial Standard of Practice in the Life Insurance Industry.
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7. Reserves for fluctuation of foreign exchange

(1)According to the "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves," the subsidiary MLI has provided a reserve for fluctuation of foreign exchange under liabilities for foreign investment assets (excluding non-investment-linked life insurance products denominated in foreign currencies). The accumulated balance on December 31, 2022 and 2021 were \$7,380,760 thousand and \$411,705 thousand, respectively. The details of the reserve for fluctuation of foreign exchange of the subsidiary MLI are as follows:

	2022	2021
Beginning balance	\$411,705	\$250,644
Addition:		
General provision	\$919,351	\$663,381
Additional provision	11,429,520	744,949
Subtotal	\$12,348,871	\$1,408,330
Recovery	(5,379,816)	(1,247,269)
Total	\$7,380,760	\$411,705

The above-mentioned beginning balance, in accordance with the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves, was reclassified from special catastrophe reserve of liabilities under the former ROC generally accepted accounting principles as of December 31, 2011, within the maximum limitation. For the special catastrophe reserve reclassified to reserve for fluctuation of foreign exchange as its beginning balance, the subsidiary MLI should provide the same amount as special earnings reserve within three years after the Regulations Governing Insurance Enterprises for Setting Aside Various Reserves are implemented. In addition, the subsidiary MLI should provide both the decrease in hedge cost due to the adoption of the reserve for fluctuation of the foreign exchange mechanism, and 10% of current-year net income as special earnings reserve every year.

(2) The effect on income, liabilities, and equity under the circumstance of not providing a reserve for fluctuation of foreign exchange are as follows:

Item	Amount without the adoption of reserve for fluctuation of foreign exchange	Amount with the adoption of reserve for fluctuation of foreign exchange	Effect
December 31, 2022			
Reserve for fluctuation of foreign exchange	\$-	\$7,380,760	\$7,380,760
Equity	\$34,752,860	\$28,848,252	\$(5,904,608)
December 31, 2021			
Reserve for fluctuation of foreign exchange	\$-	\$411,705	\$411,705
Equity	\$41,767,754	\$41,438,390	\$(329,364)
Item	Amount without the adoption of reserve for fluctuation of foreign exchange	Amount with the adoption of reserve for fluctuation of foreign exchange	Effect
2022			
Net income (loss)	\$(8,083,558)	\$(13,658,802)	\$(5,575,244)
Earnings per share (after tax)	\$(2.57)	\$(4.34)	\$(1.77)
2021			
Net income (loss)	\$1,219,647	\$1,090,798	\$(128,849)
Earnings per share (after tax)	\$0.47	\$0.42	\$(0.05)

(3) Hedge policy and risk exposure of foreign exchange

According to "Risk Management Best-Practice Principles for Insurance Enterprises (FSC Enterprise Risk Management Framework)" the subsidiary MLI set up a system of managing and hedging foreign exchange risk, including the control system of the foreign exchange exposure ratio, the calculation basis of the foreign exchange exposure ratio, the scope of the foreign exchange exposure and its relevant hedging instruments and strategies. The hedging strategy of the subsidiary MLI mainly relied on USD hedge supplemented by AUD and NZD hedge, and the hedging instruments include foreign exchange forwards, foreign exchange swaps and cross currency swaps contracts.

6.23 Operating lease

1. Lessor

The Company and its subsidiaries acts as a lessor to rent investment properties under operating lease. For related information, please refers to note 6.13 for more details.

Maturity analysis of lease payments for undiscounted lease payments to be received after the reporting date are as follows:

	December 31,2022	December 31,2021
Under 1 year	\$383,163	\$605,155
1~ 2 years	305,343	513,059
2~3 years	208,845	224,096
3~4 years	158,824	141,103
4~5 years	135,065	116,784
Over 5 years	291,004	367,585
Total	\$1,482,244	\$1,967,782

6.24 Pensions

1. Since July 1, 2005, the Company and its subsidiaries have defined contribution pension plans set up according to the ROC Labor Pension Act. 6% of employees' monthly salaries are contributed to each individual account governed by Bureau of Labor Insurance. Pension cost of \$416,662 thousand and \$392,505 thousand are recognized for the years ended December 31, 2022 and 2021, respectively.

2. The Company and its subsidiaries have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. For employees who are applicable to mandatory retirement, an additional 20% of increment amount shall be added based on the aforesaid rules if the mental insanity or physical disability is caused by the performance of duties. The Company and its subsidiaries contribute an amount at fix rate of salaries paid each month to their respective pension fund deposited with Bank of Taiwan. Pension cost of \$38,419 thousand and \$39,933 thousand are recognized for the years ended December 31, 2022 and 2021, respectively.

3. The pension information of the Company and its subsidiaries are as follows:

(1)The amounts recognized in the balance sheet are as follows:

	December 31,2022	December 31,2021
Present value of defined benefit obligations	\$2,128,117	\$2,187,576
Fair value of plan assets	(1,507,389)	(1,519,169)
Recognized liabilities for defined benefit obligations	\$620,728	\$668,407

(2)Movements in present value of the defined benefit are as follows:

	2022	2021
Defined benefit obligation as of January 1	\$2,187,576	\$2,452,743
Current service costs	45,600	43,178
Interest cost	2,464	1,123
Actuarial gains and losses arising from financial assumption adjustment	71,271	(67,000)
Actuarial gains and losses arising from experience assumption adjustment	48,905	(53,203)
Actuarial gains and losses arising from demographic assumption adjustment	(7,404)	7,356
Benefits paid by the plan	(228,814)	(195,077)
Remeasurements of defined benefit liability (asset)	8,519	(1,544)
Defined benefit obligation as of December 31	\$2,128,117	\$2,187,576

(3) Movements in defined benefit plan assets are as follows:

	2022	2021
Fair value of plan assets as of January 1	\$1,519,169	\$1,383,678
Interest income on plan assets	9,940	4,663
The return on plan assets	(58,757)	71,966
Contributions made	261,172	252,975
Benefits paid by the plan	(228,814)	(195,077)
Remeasurements of defined benefit liability (asset)	4,679	964
Fair value of plan assets as of December 31	\$1,507,389	\$1,519,169

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

The expected return of the overall plan assets is estimated based on the historical trends, the forecast of the overall period return of the obligations, and the usage of the Labor Pension Fund by the LPF Supervisory Committee under the assumption that the minimum return shall not be less than the income by local banks' two-year time deposit.

(5) The principal actuarial assumptions used are as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.15%~1.67%	0.55%~0.75%
Future salary increases rate	0.60%~3.00%	0.60%~2.00%

Assumptions regarding future mortality are based on actuarial advice of the Life Insurance Institutions within territory.

(6) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%~0.5%	0.25%~0.5%	0.25%~0.5%	0.25%~0.5%
December 31, 2022				
Effect on present value of defined benefit obligation	\$(110,691)	\$119,538	\$116,743	\$(109,217)
December 31, 2021				
Effect on present value of defined benefit obligation	\$(114,008)	\$127,408	\$128,710	\$(113,880)

The sensitivity analysis above is based on the analysis for single assumption change effects while other assumptions remain constant. In practice, many changes in assumptions are related. Sensitivity analysis method is in accordance with the method for calculating net defined benefit liability on balance sheet.

(7) Expected contributions to the defined benefit pension plan of the Company and its subsidiaries for the year ending December 31, 2022 amounted to \$1,222,538 thousand.

6.25 Premiums income

	2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Premium written	\$83,162,623	\$5,073	\$83,167,696
Less: Reinsurance expense	3,023,915	\$-	\$3,023,915
Net change in unearned premium reserves	288,810	-	288,810
Subtotal	\$3,312,725	\$-	\$3,312,725
Retained premium	\$79,849,898	\$5,073	\$79,854,971

	2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Premium written	\$96,917,132	\$5,539	\$96,922,671
Less: Reinsurance expense	\$2,604,704	\$-	\$2,604,704
Net change in unearned premium reserves	220,197	-	220,197
Subtotal	\$2,824,901	\$-	\$2,824,901
Retained premium	\$94,092,231	\$5,539	\$94,097,770

6.26 Insurance claims and benefits

	2022		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Insurance claims	\$88,230,330	\$5,241,802	\$93,472,132
Less: Claims recoverable from reinsurers	2,486,329	-	2,486,329
Insurance claims and benefits	\$85,744,001	\$5,241,802	\$90,985,803

	2021		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Insurance claims	\$73,861,782	\$1,714,713	\$75,576,495
Less: Claims recoverable from reinsurers	2,038,669	-	2,038,669
Insurance claims and benefits	\$71,823,113	\$1,714,713	\$73,537,826

6.27 Share Capital

	December 31,2022	December 31,2021
Authorized share capital	\$14,000,000	\$12,000,000
Capital stock issued	\$9,224,957	\$9,131,067

As of December 31, 2022, the Company's common stock was 9,224,957 thousand and outstanding common shares was 922,496 thousand shares with par value of \$10 (in dollars) per share.

The Company has resolved by the board of directors to capitalize of the unappropriated earnings in the amount of \$91,337 thousand and issued 9,134 thousand new shares on June 24, 2022. The registration for issuance of new shares of the capital increase has been completed.

6.28 Capital surplus

1.Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations should only be used to offset accumulated deficit, to issue new stocks or to pay out as cash dividend to shareholders, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus used to issue new stocks should not exceed 10% of the paid-in capital each year.

2.Capital surplus on December 31, 2022 and 2021 are as follows:

	December 31,2022	December 31,2021
Treasury stock transactions	\$440,170	\$392,378
Changes in shareholding - subsidiaries and associates accounted for under equity method	1,579,601	1,333,630
Difference between the proceeds and carrying amount for the acquisition or disposal of subsidiaries	551,087	550,965
Stock options of convertible bonds	77,332	77,332
Convertible bonds premium	46,684	46,684
Restricted stock	1,368	1,368
Merger premium	53,124	53,124
Total	\$2,749,366	\$2,455,481

6.29 Retained earnings

1. Legal reserve

The legal reserve is for making good the deficit (or loss) of the Company. However, when the Company incurs no loss, it may, pursuant to a resolution of shareholders' meeting, distribute 25% of the amount that legal reserve exceeds the total capital by issuing new shares or paid out cash as dividends.

2. Special reserve

(1) In accordance with the regulations, the Company shall set aside special reserve equal to the net debit balance of other equity items at the end of the reporting period before distributing earnings. When the net debit balance of other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.

(2) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with FSC NO. 1010012865 regulations on April 6, 2012 shall be reversed proportionately when the relevant assets are used, disposed or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

(3) On the initial application of fair value model to investment properties, the Company appropriated for a special reserve on initial application of IFRSs in accordance with FSC No. 1030006415 issued on March 18, 2014 at the amount that were the same as the net increase arising from fair value measurement and transferred to retained earnings. Additional special reserve should be appropriated for subsequent net increase in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment property.

(4) The special reserves on December 31, 2022 and 2021 are as follows:

	December 31,2022	December 31,2021
Securities Exchange Act requirement	\$3,730,232	\$2,507,949
IFRSs first adoption	61,004	61,004
Changes in share interests of investee	250,198	250,198
Fair value adjustment of investment property	1,949,068	2,746,864
Total	<u>\$5,990,502</u>	<u>\$5,566,015</u>

3. Distribution of retained earnings

- (1) According to the Company's articles of incorporation, annual earnings after income tax shall be first used to offset previous deficit, set aside 10% of the remaining amount as legal reserve and set aside or reverse a special reserve according to relevant regulations. Any remaining balance shall be allocated according to the resolution of shareholders' meeting.
- (2) The Company's dividend policy considers the development plan, investment environment, working capital needs, competition and shareholder's interest. Cash dividends shall be at least 10% of the total distribution.
- (3) Information about the earning appropriations proposed by the Board of Directors for the year 2022, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- (4) Information about the earning appropriations proposed by the Board of Directors and resolved by the stockholders for the year 2021, please refer to the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- (5) Information relate to employee's bonuses and director's remuneration, please refer to Note 6.33.

6.30 Treasury stocks

Subsidiary name	December 31,2022			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	40,026	\$15.15	\$606,398	\$403,974
MGM	2,943	15.15	44,583	26,264
MH	5,685	15.15	86,130	58,041
Total	<u>48,654</u>		<u>\$737,111</u>	<u>\$488,279</u>

Subsidiary name	December 31, 2021			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	39,630	\$22.65	\$897,618	\$403,974
MGM	2,914	22.65	65,994	26,264
MH	5,629	22.65	127,493	58,041
Total	48,173		\$1,091,105	\$488,279

MFB sold of 4,355 thousand shares of the Company in 2021.

6.31 Other equity

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Revaluation reserve of properties	Other comprehensive income (loss) on reclassification under the overlay approach	Unearned employee benefit	Total
January 1, 2022	\$(20,599)	\$(342,193)	\$-	\$(4,019,267)	\$6,643	\$(4,375,416)
The Company	1,808	(17,110)	-	-	-	(15,302)
Subsidiaries and associates	8,679	(2,215,051)	429,596	(1,345,275)	(6,643)	(3,128,694)
December 31, 2022	\$(10,112)	\$(2,574,354)	\$429,596	\$(5,364,542)	\$-	\$(7,519,412)

	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) on financial assets at FVOCI	Other comprehensive income (loss) on reclassification under the overlay approach	Unearned employee benefit	Total
January 1, 2021	\$(16,259)	\$99,710	\$(3,177,107)	\$6,643	\$(3,087,013)
The Company	(477)	(27,250)	-	-	(27,727)
Subsidiaries and Associates	(3,863)	(414,653)	(842,160)	-	(1,260,676)
December 31, 2021	\$(20,599)	\$(342,193)	\$(4,019,267)	\$6,643	\$(4,375,416)

6.32 Non-controlling interests

	2022	2021
Balance on January 1	\$27,504,955	\$27,185,239
Non-controlling interests:		
Net profit (loss)	(7,501,272)	721,727
Unrealized gain (loss) on financial assets at FVOCI	(3,085,872)	(548,780)
Other comprehensive income (loss) on reclassification under the overlay approach	(1,886,062)	(1,086,844)
Exchange differences arising on translation of foreign operations	10,546	(286)
Defined benefit plan	16,518	(53,810)
Revaluation reserve of properties	661,101	-
Non-controlling interests (decrease) increase	5,773,619	1,287,709
Balance on December 31	\$21,493,533	\$27,504,955

6.33 Employee benefit

Item	2022	2021
Employee benefit		
Wages and salaries	\$9,976,170	\$9,840,036
Labor and health insurance	916,335	908,783
Pension	455,081	432,438
Director's remuneration	36,742	62,344
Other employee benefit	346,536	339,707
Depreciation and amortization	2,480,401	2,472,772

1. According to Company's Articles of Incorporation, it shall allocate no less than 1% of annual profit as bonuses to employees, and no more than 1% of annual profit as remuneration to directors, respectively, pursuant to the resolution of the boards of directors. However, the accumulated deficits should be covered first.
2. For the year ended December 31, 2022 and 2021, the employee bonus and directors remuneration were accrued at \$0 thousand and \$31,100 thousand. These amounts were recognized as salary expenses. Employees' bonuses and director's remuneration for 2021 had been approved by the shareholders meeting with no difference to the accrued amount in the financial statements ended December 31, 2021.

3. The information about employee's bonuses and director's remuneration of the Company will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

6.34 Income tax (expenses) benefits

1. Income tax (expense) benefits

	2022	2021
Current income tax expense	\$(508,975)	\$(282,516)
Additional tax on unappropriated earnings	(9,239)	-
Basic tax	(11,494)	(19,145)
Income tax adjustment on prior years	33,596	14,174
Investment tax credit	1,691	-
Total current income tax expense	\$(494,421)	\$(287,487)
Deferred income tax		
Origination and reversal of temporary differences	1,635,650	2,253,260
Income tax (expenses) benefits	\$1,142,229	\$1,965,773

2. The Company's income tax (expenses) benefits recognized in other comprehensive profit and loss are as follows:

	2022	2021
Items that will not be reclassified to profit:		
Revaluation reserve of properties	\$(117,302)	\$-
Actuarial gain (loss) on defined benefit obligations	27,045	(12,879)
Subtotal	\$(90,257)	\$(12,879)
Items that will be reclassified to profit:		
Unrealized gain (loss) from debt instruments measured at FVOCI	\$680,228	\$67,286
Other comprehensive income on reclassification under the overlay approach	(10,100)	123,999
Subtotal	\$670,128	\$191,285
Total	\$579,871	\$178,406

3. Reconciliation between income tax (expenses) benefits and accounting profit

	2022	2020
Tax calculated based on profit before tax at statutory tax rate	\$3,819,673	\$(470,364)
Effects from items disallowed by tax regulations	(4,326,065)	193,918
Origination and reversal of deferred tax assets	1,636,650	2,251,884
Income tax adjustments on prior years	33,596	6,750
Additional tax on unappropriated earnings	(9,239)	-
Investment tax credit	1,691	-
Basic tax	(11,494)	(19,145)
Others	(2,583)	2,730
Income tax expenses (benefits)	<u>\$1,142,229</u>	<u>\$1,965,773</u>

4. Deferred tax assets or liabilities as a result of temporary difference are as follows:

	2022				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Income tax paid	December 31
Temporary differences:					
Inventory valuation losses	\$79,690	\$(886)	\$-	\$-	\$78,804
Loss carryforwards	381,136	14,030,096	-	-	14,411,232
Financial assets (liabilities) at fair value through profit or loss	(648,392)	119,016	-	-	(529,376)
Investment property	(690,052)	90,525	(117,302)	19,594	(697,235)
Unrealized exchange losses	6,644,521	(12,668,370)	-	-	(6,023,849)
Financial assets (liabilities) at fair value through other comprehensive income	517,328	-	670,128	-	1,187,456
Others	(25,171)	66,269	27,045	-	68,143
Total	<u>\$6,259,060</u>	<u>\$1,636,650</u>	<u>\$579,871</u>	<u>\$19,594</u>	<u>\$8,495,175</u>
Presented on balance sheet					
Deferred tax assets	\$7,886,160				\$16,054,191
Deferred tax liabilities	(1,627,100)				(7,559,016)
	<u>\$6,259,060</u>				<u>\$8,495,175</u>

	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Income tax paid	December 31
Temporary differences:					
Inventory valuation losses	\$74,236	\$5,454	\$-	\$-	\$79,690
Loss carryforwards	-	381,136	-	-	381,136
Financial assets (liabilities) at fair value through profit or loss	(654,808)	6,416	-	-	(648,392)
Investment property	(761,182)	(26,076)	-	97,206	(690,052)
Unrealized exchange losses	4,695,854	1,948,667	-	-	6,644,521
Financial assets (liabilities) at fair value through other comprehensive income	326,043	-	191,285	-	517,328
Others	50,045	(62,337)	(12,879)	-	(25,171)
Total	\$3,730,188	\$2,253,260	\$178,406	\$97,206	\$6,259,060
Presented on balance sheet					
Deferred tax assets	\$5,381,989				\$7,886,160
Deferred tax liabilities	(1,651,801)				(1,627,100)
	\$3,730,188				\$6,259,060

5. Income tax returns of the Company and its subsidiaries through 2020 have been assessed and approved by the Tax Authority.

6.35 Earnings per share

2022	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit (loss)	<u>\$(5,089,794)</u>		
<u>Basic earnings per share</u>			
Profit or (loss) attributable to common shareholders of the parent company	<u>\$(5,089,794)</u>	<u>\$874,225</u>	<u>\$(5.82)</u>

2021	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit	\$1,890,261		
<u>Basic earnings per share</u>			
Profit or (loss) attributable to common shareholders of the parent company	\$1,890,261	871,206	\$2.17
Assumed conversion of all dilutive potential common shares			
Employee bonuses		1,070	
Convertible corporate bonds	14,118	105,786	
<u>Diluted earnings per share</u>			
Current profit or (loss) attributable to common shareholders plus assumed conversion of all dilutive potential common shares	\$1,904,379	978,062	\$1.95

The antidilutive effect was identified in 2022, and therefore the dilutive EPS computation was not provided.

After the retrospective adjustment, the weighted average number of ordinary shares outstanding is calculated as follows:

	2022	2021
At January 1	913,362	909,351
Increase: Retained earning converted into common stock	9,134	9,134
Increase: Conversion of convertible bonds	-	992
Decrease: Shares held by the subsidiaries	(48,271)	(48,271)
Total	874,225	871,206

The pro forma net income and earnings per share if accounting for treasury stock had not been adopted are as follows:

	2022	2021
Profit or (loss) attributable to common shareholders of the parent company	\$(5,042,001)	\$1,938,232
Weighted average shares outstanding in basic earning per share	922,496	919,477
Basic earnings per share (in dollars):		
Net profit or (loss) from continuing operations	\$(5.47)	\$2.11

The information of treasury stocks hold by subsidiaries, please refer to Note 6.30.

7 RELATED-PARTY TRANSACTIONS

Intercompany balances and transactions between the Company and its subsidiaries have been eliminated upon consolidation, therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Company and other related parties:

7.1 Names and relationship with related parties

Names of related parties	Relationship with the Company
Sanor Co., Ltd.	Joint venture
Horizon Securities Co., Ltd.	Associate
Fuh Hwa Securities Investment Trust Co., Ltd.	Associate
CMG International Two Co., Ltd.	Associate
Framosa Co., Ltd.	Associate
Digicentre Company Limited.	Associate
Shang Lin Investment Co., Ltd.	Other related party
Shu Feng Investment Co., Ltd.	Other related party
Horizon SICE Co., Ltd.	Other related party
Pharmacyplus co., Ltd.	Other related party
Shengbaocun Construction Engineering Co., Ltd.	Other related party
Inshokutenhanjoukai Co., Ltd.	Other related party
Mercuries Life Insurance Employee welfare committee	Other related party
Mercuries & Associates, Ltd. Employee welfare committee	Other related party
Simple Mart Retail Co., Ltd. Employee welfare committee	Other related party

Names of related parties	Relationship with the Company
Mercuries F&B Co., Ltd. Employee welfare committee	Other related party
Taiwan Slow Pitch Softball Association	Other related party
Taiwan Tee Ball Association	Other related party
The Life Insurance Association of Republic of China	Other related party
Police Academics Foundation	Other related party
Foundation of Chinese Dietary Culture	Other related party
Taiwan Master Golf Foundation	Other related party
Criminal Investigation and Prevention Association, R.O.C.	Other related party
Taiwan Chain Store and Franchise Association	Other related party
Taoyuan County Private Mercuries Social Welfare Charity Foudation	Other related party
Key management personnel	The Company's chairman, directors (including independent directors), general manager, deputy general manager and department head of the Company.
Other related person	The spouses, the second immediate family of the chairman and general manager of the subsidiaries. The spouses of the directors (including independent directors) and the managerial officer of the subsidiaries.

7.2 Significant transaction with related party

7.2.1 Sales

	2022	2021
Associate	\$2,842	\$1,986
Other related party	4,318	7,412
Total	\$7,160	\$9,398

The above sales terms are decided on market condition and collection period are 2-3 months.

7.2.2 Purchase

	2022	2021
Joint Venture	\$84,092	\$51,290

The above purchase terms are decided on market condition and payment period are 3 months.

7.2.3 Premiums income

	2022	2021
Associate	\$2,072	\$1,338
Joint Venture	66	-
Key management personnel of the Company and other related person	17,008	19,361
Total	\$19,146	\$20,699

The above premium rates are measured in accordance with the relevant provisions of the insurance law, and there is no difference with the general terms of the transaction.

7.2.4 Other income

	2022	2021
Associate	\$26,217	\$28,017
Joint Venture	18	-
Other related party	1,012	1,324
Total	\$27,247	\$29,341

7.2.5 Service revenue

	2022	2021
Joint Venture	\$1,596	\$-

7.2.6 Other expense

	2022	2021
Associate	\$21,072	\$27,162
Joint Venture	4	3,998
Other related party	53,622	48,603
Total	\$74,698	\$79,763

7.2.7 Outsourcing of investment management service

The subsidiary MLI appoints its associates as its fund manager of its investment portfolios. The management expenses charged by associate during each period are as follows:

	2022	2021
Associate	\$6,035	\$13,119

7.2.8 Property transactions

(1) The subsidiary MLI held funds issued by associates are as follows:

	December 31, 2022	December 31, 2021
Funds	\$106,350	\$124,650

(2) The subsidiary MLI purchased IT equipments, business platform and software from the associate are as follow:

	2022	2021
Associate	\$1,628	\$1,155

(3) The subsidiary MF&B signed a contract with Shengbaocun Construction Engineering Co., Ltd. to construct the central kitchen in Dayuan with contract price \$535,000 thousand in October 2020. As of December 31, 2022, accumulated amount paid was \$336,094 thousand which was recorded under construction in progress.

7.2.9 Accounts receivable- related parties

	December 31, 2022	December 31, 2021
Associate	\$-	\$16
Other related party	312	16
Total	\$312	\$32

7.2.10 Accounts payable- related parties

	December 31, 2022	December 31, 2021
Associate	\$656	\$1,866
Joint Venture	26,022	33,406
Other related party	103,188	79
Total	<u>\$129,866</u>	<u>\$35,351</u>

7.2.11 Guarantee deposits received

	December 31, 2022	December 31, 2021
Associate	\$1,000	\$-
Other related party	139	139
Total	<u>\$1,139</u>	<u>\$139</u>

7.2.12 Bonds Payable

The amounts of MLI's first perpetual cumulative subordinated corporate bonds held by the associate are as follows:

	December 31, 2022	December 31, 2021
Associate	<u>\$200,000</u>	<u>\$200,000</u>

The interest expenses and accrued interest expenses payable are as follows:

Interest expenses

	2022	2021
Associate	<u>\$6,600</u>	<u>\$2,043</u>

Accrued interest expenses payable

	December 31, 2022	December 31, 2021
Associate	<u>\$2,043</u>	<u>\$2,043</u>

7.2.13 Secured loan

The details of real estate mortgage and movable property mortgage for key management personnel and other related person on December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Real estate mortgage and movable property mortgage	\$72,863	\$118,892
Interest receivable	\$34	\$43
	2022	2021
Interest revenue	\$1,180	\$1,602
Interest rate range	1.31%~2.07%	1.00%~1.53%

7.2.14 Key management compensation

	2022	2021
Salaries and other short-term employee benefit	\$404,554	\$424,864

8 PLEDGED ASSETS

Assets provided by the Company and its subsidiaries for business purposes are as follows:

Assets	Book Value		Purpose of pledge
	December 31, 2022	December 31, 2021	
Reserved deposits and time deposits	\$208,561	\$165,995	As a guarantee for bid bonds, performance bonds, sales performance, loans limit and application for provisional attachment
MLI common stock	1,310,975	2,966,899	As a guarantee for loans limit
Land and buildings	823,622	46,259	As a guarantee for loans limit
Government bonds	9,357,840	4,778,243	As a guarantee for security of business and futures margin
Total	\$11,700,998	\$7,957,396	

In accordance with the insurance law and related regulations, the subsidiary MLI paid the deposit of operating bonds and index futures transactions with government bonds, then deposit them in the central bank and the Taiwan Futures Exchange, respectively. As of December 31, 2022 and 2021, the par value of the deposits were \$9,400,000 thousand and 4,800,000 thousand, respectively.

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

	December 31,2022	December 31,2021
Promissory notes for borrowing from financial institutions.	\$18,315,500	\$18,191,116
Unused letters of credit for purchase goods.	88,300	265,924
Performance bonds issued by the financial institutions.	697,089	563,658
Endorsements/guarantees to subsidiary	50,000	200,000

9.1 MLI has 9 significant lawsuits related to the insurance business. The total amount of claim is \$16,549 thousand. The subsidiary MLI has assessed the appropriate amount of the compensation reserve, and these lawsuits are currently in court.

9.2 The investment contracts signed by the subsidiary MLI, with the amounts not yet invested in the Commitment of US\$298 thousand and NT\$568,085 thousand on December 31, 2022; as well as US\$521 thousand and NT\$893,260 thousand on December 31, 2021.

9.3 The unpaid amount of the contract of information system that the subsidiary MLI had signed on December 31, 2022 was \$1,799,882 thousand.

9.4 Significant outstanding purchase commitments for property, plant and equipment on December 31, 2022 and 2021 were \$662,950 thousand and \$1,342,030 thousand, respectively.

10 SIGNIFICANT DISASTER LOSS

SCI had a fire accident occurred on December 20, 2020, and caused damage to some buildings, equipment, construction in progress, and inventories, and spreading to several nearby factories, of which property was impaired and business operation was interrupted. SCI derecognized damaged buildings, equipment and construction in progress and the inventories and accrued for the damaged loss for nearby damaged companies.

SCI is currently in the process of negotiation with the above damaged companies for fire indemnity payments. As of December 31, 2022, the outstanding provisions for fire indemnity was \$68,159 thousand which was recorded under other current liabilities.

SCI has already entered into related property insurance contracts and received net incremental compensation amounting to \$30,000 thousand which was recorded under other income. As of December 31, 2022, the claim receivables had been received.

11 SIGNIFICANT SUBSEQUENT EVENTS

The subsidiary, MLI, has resolved by the board of directors on February 10, 2022 to conduct capital increase by cash for \$5,000,000 thousand, issuing 500,000 thousand new shares with a par value of \$10 per share. The date for the cash capital increase was March 7, 2023 and the shares were issued at a discount of \$5.05 per share.

12 Other

12.1 Capital management

The objectives of capital management is to maintain capital structure, reduce capital cost and continue to operate at the maximum interests of shareholders.

12.2 Financial instruments

I. The information of fair value of financial instruments

The Company and its subsidiaries do not disclose the fair value for short-term financial instruments, such as cash and cash equivalents, accounts receivable/payable, loans, intercompany reinsurance receivables, claims and payments recoverable from reinsurers, refundable deposits, short-term debts, bank borrowings and guarantee deposits received. Since these financial instruments have relatively shorter maturity date, their carrying amount can be fairly presented as the fair values, the Company and its subsidiaries do not disclose the fair value. Furthermore, the fair values information of financial assets and financial liabilities are as follows:

	December 31,2022		December 31,2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at FVTPL	\$79,310,120	\$79,310,120	\$63,956,549	\$63,956,549
Financial assets measured at FVOCI	44,507,452	44,507,452	46,041,512	46,041,512
Financial assets measured at amortized cost	1,000,851,531	774,317,631	920,030,441	943,342,035
Financial liabilities:				
Financial liabilities measured at FVTPL	3,424,218	3,424,218	127,201	127,201
Bonds payable	10,356,454	10,366,674	10,341,380	11,040,297

The Company and its subsidiaries valuation techniques and assumptions used in fair value determination are as follow:

- (1) The fair value of short-term financial instruments are estimated based on its carrying amount on the balance sheet. Since the maturity date of the products is short, carrying amount should be a reasonable basis for estimating its fair value. This method applies to cash and cash equivalent, notes receivable and notes payable, accounts receivable and accounts payable, and other financial assets.
- (2) Since the loans of all the financial assets are interest-bearing, therefore, the carrying amount after deducting the allowance for bad debt is close to the current fair value.
- (3) If the equity investments and debt securities are an active market, then the fair value of the asset is the market price. If no market price is available for reference, the method of estimation is the same as those used by the market participants in the pricing of financial products. The discount rate used by the Company is equal to that of the financial products with the same terms and characteristics.
- (4) Refundable deposits and guarantee deposits received are estimated based on its carrying amount.
- (5) Bank borrowings are estimated based on its carrying amount.
- (6) The fair value of the forward foreign exchange contract, if available, is based on the market price. If the market price is unavailable, the fair value is the difference between the forward price of the contract and the current forward price. The remaining period of the contract is discounted.
- (7) The fair value of the interest rate exchange is based on the quotation of the broker, which is derived from estimated future cash flows based on the terms and maturities of each contract, using the present value of the market interest rate of similar instruments to test its reasonableness.
- (8) The fair value of non-derivative financial liabilities is calculated by the cash flow of principal and interest in the future discounted to the fair value used the market interest rate as of the reported date.

II. Financial risk management policies

- (1) The Company and its subsidiaries activities expose it to a variety of financial risks including market risk (foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.
- (2) Risk management is carried out by the Company and its subsidiaries risk management department under policies approved by the Board of Directors. The general administration division identifies, evaluates and hedges financial risks to cooperation with the business operating units.

III. Significant financial risks and degrees of financial risks

(1) Market risk

A. Exchange rate risks

- a. The operation of the Company and its subsidiaries are affected by the exchange rate risks arising from various currencies, but the main risk is from the currency USD. The related exchange rate risk comes from recognized assets and liabilities denominated in foreign currencies, mainly accounts receivables/payables, advance receipts, and financial products, etc.
- b. The Company and its subsidiaries pay attention to change in exchange rates and hedged foreign exchange rate by using forward exchange contracts and foreign currency loan, etc.
- c. The Company and its subsidiaries businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations are as follows:

	December 31, 2022			December 31, 2021		
	Local Currency	Exchange rate	NTD	Local Currency	Exchange rate	NTD
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$28,018,309	30.71	\$860,386,481	\$27,333,789	27.69	\$756,873,059
AUD	235,956	20.87	4,923,476	259,629	20.11	5,221,461
CNY	3,384,980	4.44	15,024,864	4,078,625	4.34	17,719,199
NZD	146,300	19.43	2,842,897	134,628	18.92	2,547,609
HKD	61	3.94	240	111	3.55	395
EUR	775	32.77	25,255	2,552	31.34	79,794
JPY	332,710	0.23	77,247	888,408	0.24	213,548
GBP	41	37.09	1,521	58	37.29	2,163
KRW	13,634	0.02	332	15,428	0.02	359
SGD	6	22.91	140	6	20.47	125
			<u>\$883,282,453</u>			<u>\$782,657,712</u>
<u>Non-monetary items</u>						
USD	\$677,460	30.71	\$20,803,431	\$795,610	27.69	22,030,432
EUR	7,983	32.77	261,578	45,260	31.34	1,418,302
HKD	191,927	3.94	755,923	463,140	3.55	1,644,333
AUD	9,705	20.87	202,496	10,199	20.11	205,114
CNY	147,518	4.44	654,746	274,847	4.34	1,194,091
JPY	1,362,326	0.23	317,286	3,761,443	0.24	904,627
KRW	3,691,582	0.02	89,941	4,229,648	0.02	98,509
			<u>\$23,085,401</u>			<u>\$27,495,408</u>
<u>Derivative</u>						
USD	\$-	30.71	\$6,035,151	\$-	27.69	\$3,328,626
AUD	-	-	-	-	20.11	38,320
			<u>\$6,035,151</u>			<u>\$3,366,946</u>
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	\$75,611	30.71	\$2,321,811	\$106,894	27.69	\$2,959,833
EUR	125	32.77	4,073	261	31.34	8,155
JPY	242,683	0.23	56,399	606,389	0.24	145,758
			<u>\$2,382,283</u>			<u>\$3,113,746</u>
<u>Derivative</u>						
USD	\$-	30.71	\$3,137,667	\$-	27.69	\$88,931
AUD	-	20.87	123,484	-	20.11	22,216
NZD	-	19.43	128,535	-	18.92	13,840
			<u>\$3,389,686</u>			<u>\$124,987</u>

B.Foreign exchange sensitivity analysis

The following table shows the impact of 1% fall in the exchange rates of the foreign currencies to New Taiwan Dollar.

Unit: Thousand dollar

Currency	Exchange rate change	Effects on profit before tax		Effects on equities	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
USD	-1%	\$(1,229,360)	\$(74,899)	\$(1,129,448)	\$(230,580)
CNY	-1%	(149,233)	(175,893)	(122,380)	(147,887)
AUD	-1%	(7,916)	(6,324)	(7,395)	(6,240)
HKD	-1%	(2)	(4)	(3,903)	(10,034)
NZD	-1%	(8,178)	(9,975)	(6,542)	(7,980)

C.The measurements of market risk

The subsidiary MLI uses “ Value at Risk” to measure the market risk of various financial instruments, and sets the "market risk limit" to monitor the value changed in relevant financial instruments, and regularly evaluates the rationality of the risk limits.

The subsidiary MLI uses the historical simulation method, selecting 750 days of historical data, 99% of the trust interval and 10 days holding period, to calculate and monitor the daily risk portfolio. The risks of our financial instruments on December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Currency risk	\$3,313,004	\$1,046,223
Interest rate risk	812,411	607,750
The risk of share price	4,686,788	1,689,532
Risk diversification	(5,331,623)	(1,706,463)
Total at risk	\$3,480,580	\$1,637,042

The risk valuation model has its limitation and MLI regularly tests the market risk to ensure the rationality of the risk valuation model.

D. Interest rate sensitivity analysis

A change of 100 basis points (“BPS”) in interest rates at the end of the reporting period would have increased/(decreased) equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The changes of rates	Effects on profits before tax		Effects on other comprehensive income	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Major yield curve-up 100BPS	\$(4,011)	\$(70,088)	\$(3,269,036)	\$(3,396,919)
Major yield curve-down 100BPS	4,017	70,369	3,904,116	4,093,447

E. Taiwan Stock Exchange Capitalization Weighted Stock Index sensitivity analysis

The table below shows the effects on profits before tax and equities if the subsidiary MLI assumes the other variables remain consistent, Weighted Price Index of the Taiwan Stock Exchange increase or decrease by 10%.

Changes in the Weighted Stock Index of the Taiwan Stock Exchange	Effects on profits before tax		Effects on other comprehensive income	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Increase 10%	\$-	\$-	\$2,657,258	\$164,290
Decrease 10%	-	-	(2,657,258)	(164,290)

(2) Liquidity risk

A. The liquidity risk of financial instruments is divided into capital liquidity risk and market liquidity risk. Capital liquidity risk refers to the risk that the Company and its subsidiaries do not possess sufficient cash and is not able to raise funds in time and finally failed to fulfill the obligation (debt repayment); Market liquidity risk refers to the risk that the Company and its subsidiaries are not able to settle or offset current position with reasonable market price due to the shallow market depth or market disorder or the oversized possession of the investment position and finally the Company and its subsidiaries may suffer from losses.

In terms of capital liquidity risk, the Company and its subsidiaries manage it in two aspects, short term and mid to long term. Except for the capital liquidity ratio set up for the index of measurement and control of short term liquidity, relevant departments have established prompt capital report mechanism and apply proper currency market instruments or foreign exchange derivative instruments for daily capital movement; mid to long term capital liquidity management is reviewed by the Assets and Liabilities Management Committee. The Company and its subsidiaries apply cash flow analysis model to monitor the coordination of assets and liabilities in order to lower related risks.

Regarding the market liquidity risk, the risk management department of the Company and its subsidiaries established monitoring mechanism in terms of daily transaction concentration, investment position limit and current assets deployment in order to avoid market liquidity risk.

In addition, the Company and its subsidiaries established complete crisis management and responding mechanism to cope with significant capital demand of unusual or emergent situations.

The Company and its subsidiaries possess sufficient operating funds, including cash and cash equivalents and securities with excellent liquidity such as government bond, to cover the investments and debt repayments. Therefore, the liquidity risk of the Company and its subsidiaries are extremely low. In addition, the derivative financial instruments the Company and its subsidiaries engage in, such as forward exchange contracts and swaps foreign exchange, are all of highly liquid currencies. The possibility that they are not able to be sold at reasonable prices in the market is minimum, and therefore the market liquidity risk is low. Furthermore, forward exchange contracts and foreign exchange swaps which matured are mostly rolled forward and the capital to pay for the settlements is sufficient. Thus, the capital liquidity risk is insignificant.

The following table is an analysis of the cash flows of the Company's non-derivative financial liabilities based on the remaining periods between the reporting date and the repayment date based on the undiscounted cash flows of the financial liabilities, including interest. Therefore, some accounts illustrated below may not match the corresponding accounts on the balance sheet. The expected cash flow of these financial instruments may significantly differ from the analysis in the following table.

December 31, 2022	< 1 year	1~5 years	> 5 years	Total
Estimated cash outflow from financial liabilities				
Short-term borrowings	\$1,397,000	\$-	\$-	\$1,397,000
Short-term notes and bills payable	779,930	-	-	779,930
Accounts payable	6,664,901	-	-	6,664,901
Commissions payable	799,455	-	-	799,455
Lease liabilities	1,264,818	2,517,416	628,628	4,410,862
Guarantee deposits received	2,265,004	248,475	24,240	2,537,719
Bonds payable	310,270	10,277,180	781,080	11,368,530
Long-term borrowings (included current portion)	8,325,392	508,991	228,622	9,063,005
Total	\$21,806,770	\$13,552,062	\$1,662,570	\$37,021,402

December 31, 2021	< 1 year	1~5 years	> 5 years	Total
Estimated cash outflow from financial liabilities				
Short-term borrowings	\$590,000	\$-	\$-	\$590,000
Short-term notes and bills payable	949,985	-	-	949,985
Accounts payable	8,254,651	-	-	8,254,651
Commissions payable	873,230	-	-	873,230
Lease liabilities	1,358,182	2,443,460	387,490	4,189,132
Guarantee deposits received	1,379,613	412,115	22,530	1,814,258
Bonds payable	310,270	10,564,680	803,850	11,678,800
Long-term borrowings	6,030,000	-	-	6,030,000
Total	\$19,745,931	\$13,420,255	\$1,213,870	\$34,380,056

B. Maturity analysis for derivative financial liabilities

a. Net settlement of derivative instruments

The subsidiary MLI's net settled derivative instruments included foreign derivative instruments.

December 31, 2022	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
— Foreign exchange derivatives	\$(550,245)	\$2,437,681	\$758,029	\$-	\$-	\$2,645,465
Total	\$(550,245)	\$2,437,681	\$758,029	\$-	\$-	\$2,645,465

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
— Foreign exchange derivatives	\$1,103,219	\$665,965	\$379,198	\$112,930	\$-	\$2,261,312
Total	\$1,103,219	\$665,965	\$379,198	\$112,930	\$-	\$2,261,312

b.Total settlement of derivative instruments

The subsidiary MLI's total settled derivative instruments included the contracts of cross- currency swap.

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days ~1 year	More than 1 year	Total
Derivative liabilities at fair value:						
— Cross-currency swap						
Cash inflow	\$-	\$-	\$-	\$20,001,897	\$-	\$20,001,897
Cash outflow	-	-	-	19,021,250	-	19,021,250
Net	\$-	\$-	\$-	\$980,647	\$-	\$980,647

As of December 31, 2022, the subsidiary MLI without have any transaction.

(3) Credit risk

A. Credit risk management

a. Credit risk is the risk of financial loss to the Company and its subsidiaries if a debtor or counterparty to a financial instrument fails to meet its contractual obligations. When all counterparties are concentrated in a single industry or region, the Company and its subsidiaries may face greater risk. Due to counterparties who are in the same industry or region are subject to the same economic environment and their ability to repay their loans will be affected.

b. Credit risk is managed through the following mechanisms:

- Limit Control: Limits were set to monitor on sector, same related entity and country exposure risks in order to avoid concentration risk.
- The subsidiary MLI's prudent credit evaluations were performed when conduct the loan business and collateral are requested in order to reduce our credit risk exposure.

B. Expected credit loss

a. Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company and its subsidiaries consider the reasonable and supportable information (past, present, and future) that is available without undue cost or effort.

The objective of the assessment is to determine whether credit risk has significantly increased by comparing:

- The default rate of the financial instrument on reporting date; and
- The default rate of the financial instrument since initial recognition.

Except for the following which loss allowance are measured at an amount equal to the 12-month credit losses, the Company and its subsidiaries calculate the loss allowance based on the assets lifetime expected credit losses:

- Investments in debt securities that are determined to have a low credit risk at reporting date, and;

- Other financial instruments which credit risk have not significantly increased since initial recognition.

When debt securities credit risk are globally reported on an external rating as “investment grade”, these are determined to be a low credit risk investment by the Company and its subsidiaries 12-month expected credit loss refer to the losses that will result if a default occurs in the 12 months after the reporting date.

In assessing whether the credit risk on a financial asset has increased significantly, the Company and its subsidiaries consider that different investment portfolios have different credit risks, including changes in default rates and credit qualities. Based on the Company and its subsidiaries’ assessment policy, in the event that an investment is no longer “investment grade”, and that a decline occurred between its credit rating and its investment grade, this results in a significant increase in credit risk. In the event that the Company and its subsidiaries’ assessment policy do not detect an increase in credit risk in time, the Company and its subsidiaries employ professional judgment and prior experience to determine whether a significant increase in credit risk occurred on a financial asset.

The Company and its subsidiaries assume that the credit risk of a financial asset has increased significantly when contractual payments are overdue after 30 days, or when objective evidence of impairment exists. The past-due days are calculated based on the first day the counterparties exceed its contractual credit term.

b.Credit risk rating

The Company and its subsidiaries have a credit risk rating policy in place for different types of financial instruments. The credit risk rating will correspondingly increase to reflect the escalating risk of default of each financial instrument.

The credit risk rating is initially determined based on the borrower’s credit information. This credit risk rating is monitored on an ongoing basis, and will alter based on changes in the instrument’s risk grade. Credit risk monitoring is based on the aging days and objective evidence of impairment.

c.Default rate structure

Credit rating is a key component in assessing the exposure loss. The Company and its subsidiaries collect data of customers, such as geographical area, product, borrower, credit rating etc., to assess the exposure loss.

The Company and its subsidiaries utilize statistical analysis of the data collected to assess the exposure loss, and the analysis will be updated based on latest available data.

These assessments include identifying and updating the default rates based on economic indexes and other relevant statistics. For most assessments, the main indexes are the Gross Domestic Product Growth Rates and Unemployment Rates.

d. Definition of default

The Company and its subsidiaries determined that the following as a “default” of financial asset:

- The borrower is unable to repay the debts in full, unless the Company and its subsidiaries exercise its recourse rights, such as disposing its collateral on auction.
- The borrower has significant debts past due for more than 90 days.

In assessing whether a borrower has defaulted, the Company and its subsidiaries consider the following:

- Qualitative indicators – breach of contract
- Quantitative indicators – the same borrower has other unpaid debts within the Company and its subsidiaries.
- Based on internal and external data that take into account default input and other main inputs over time, which indicate changes in circumstances.

e. Definition of credit loss on financial assets

At each reporting date, the Company and its subsidiaries assess whether there is a credit loss on debt instruments measured at amortized cost and FVOCI. In the event where one or more circumstances which cause an expected cash shortfall from financial assets occur, then a credit loss has occurred.

The following observable inputs are examples of circumstances that cause a credit loss:

- The issuer or borrower faces adverse financial difficulties;
- A breach of contract, including omission and delay of repayment;
- The borrower’s creditor has filed for a winding up of the borrower;
- It is probable that the borrower will declare bankruptcy or other financial restructuring;
- A buy-in at a large discount of the financial asset.

In the case where a borrower has declared for a rationalization plan, this will normally be viewed as a credit loss, unless there is evidence that the irrecoverable risk has reduced, and there are no other indicators of credit loss.

f.Measurement of expected credit loss

The main factors in calculating expected credit loss are:

- Default rate
- Default loss rate
- Default exposure

Default rate is estimated based on statistical data and exposure type of the counterparty, on a particular point in time. These statistical data are calculated based on internal information, which are qualitative and quantitative in nature. Where available, market data are obtained to estimate the default rates of corporate counterparties. In the event of a change in credit rating, it will correspondingly affect the default rate of the asset. The default rate also takes into account the exposure of the contract up to its maturity date and the estimated early repayment ratios.

Default loss rate is the maximum loss rate in the event of a breach of contract occurred. The Company and its subsidiaries use the historic recovery rate of previous defaulting counterparties as a basis of calculating default loss rate. The default loss rate model also considers the financial assets overall structure, guarantee, priority to claims, industry of counterparties, and cost to recover guarantees.

Default loss rate is the rate of loss caused by the default of counterparties or issuers. The default loss rate that the Company and its subsidiaries uses to assess relative impairments is based on the default loss rate information regularly announced by international credit rating agencies.

Default exposure is the claim amount in the event of a breach. The Company and its subsidiaries' upfront claim amount (including amortization), plus interest, is calculated as the default exposure amount.

g. Data used in forecasting

The default rate for measuring the debt instruments is according to the information announced by Moody's, international credit rating agency, including the state of macroeconomic forecasting and the prediction of implicit market data. For the loans to other parties, the Company and its subsidiaries, according to internal historical experience and actual external information and forecasts, set a benchmark for pertinent economic variables and representative intervals of predictable scenarios. The sources of external information include government authorities, the International Monetary Fund (IMF), elected private segments, and economic forecast studies.

C. Analysis of credit risk quality

The subsidiary MLI's information regarding the credit risk quality of debt instruments measured at FVOCI, financial assets measured at amortized cost and loans and receivables was presented in the tables below. All financial asset balances disclosed below were presented at net, unless specifically stated otherwise.

a. Debt instruments measured at FVOCI (Exclude statutory refundable deposits)

	2022			Total
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	
Low credit risk	\$43,534,171	\$-	\$-	\$43,534,171
Significant increase in credit risk	-	-	-	-
Carrying amount	<u>\$43,534,171</u>	<u>\$-</u>	<u>\$-</u>	<u>\$43,534,171</u>

	2021			Total
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	
Low credit risk	\$44,667,664	\$-	\$-	\$44,667,664
Significant increase in credit risk	-	-	-	-
Carrying amount	<u>\$44,667,664</u>	<u>\$-</u>	<u>\$-</u>	<u>\$44,667,664</u>

b. Financial assets measured at amortized cost (Exclude statutory refundable deposits)

	2022			Total
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	
Low credit risk	\$996,491,755	\$-	\$-	\$996,491,755
Significant increase in credit risk	-	-	5,248,546	5,248,546
Loss allowance	(103,356)	-	(803,087)	(906,443)
Carrying amount	<u>\$996,388,399</u>	<u>\$-</u>	<u>\$4,445,459</u>	<u>\$1,000,833,858</u>

	2021			Total
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	
Low credit risk	\$920,017,228	\$-	\$-	\$920,017,228
Significant increase in credit risk	-	-	-	-
Loss allowance	(26,121)	-	-	(26,121)
Carrying amount	<u>\$919,991,107</u>	<u>\$-</u>	<u>\$-</u>	<u>\$919,991,107</u>

c. Loans (Exclude policy loans and automatic premium loans)

	2022			Total
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	
Overdue 0~8 days	\$27,069,061	\$-	\$-	\$27,069,061
Overdue 9~30 days	64,002	-	-	64,002
Overdue 31~60 days	-	2,853	-	2,853
Overdue 61~90 days	-	-	-	-
Overdue more than 91 days or breach of contract	-	-	40,991	40,991
Significant increase in credit risk	-	-	-	-
Loss allowance	(406,960)	(43)	(615)	(407,618)
Carrying amount	<u>\$26,726,103</u>	<u>\$2,810</u>	<u>\$40,376</u>	<u>\$26,769,289</u>

	2021			
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	Total
Overdue 0~8 days	\$29,100,793	\$-	\$-	\$29,100,793
Overdue 9~30 days	50,314	-	-	50,314
Overdue 31~60 days	-	628	-	628
Overdue 61~90 days	-	-	-	-
Overdue more than 91 days or breach of contract	-	-	53,527	53,527
Significant increase in credit risk	-	-	-	-
Loss allowance	(437,221)	(9)	(806)	(438,036)
Carrying amount	\$28,713,886	\$619	\$52,721	\$28,767,226

d. Receivables (Interest receivable)

	2022			
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	\$6,321,963	\$-	\$-	\$6,321,963
Significant increase in credit risk	-	-	122,452	122,452
Loss allowance	(891)	-	(18,621)	(19,512)
Carrying amount	\$6,321,072	\$-	\$103,831	\$6,424,903

	2021			
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	\$5,845,341	\$-	\$-	\$5,845,341
Significant increase in credit risk	-	-	-	-
Loss allowance	(233)	-	-	(233)
Carrying amount	\$5,845,108	\$-	\$-	\$5,845,108

D. Maximum credit risk exposure of financial assets

Carrying amount best represents the subsidiary MLI's maximum exposure to credit risk for its financial instruments on the balance sheet before taking into account any collateral held or other credit risk mitigation. The maximum credit risk exposure amounted to \$1,261,928,958 thousand and \$1,216,558,823 thousand on December 31, 2022 and 2021, respectively. In addition, the subsidiary MLI has no exposure to credit risk for off-balance-sheet financial instruments.

The maximum exposure to credit risk for loans and receivables except policy loans and automatic premium loans by geographic region:

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Taipei area	\$13,323,989	50	\$15,021,085	52
Taichung area	8,001,961	30	7,937,021	28
Tainan area	3,129,393	11	3,242,893	11
Kaohsiung area	2,313,946	9	2,566,227	9
Total	\$26,769,289	100	\$28,767,226	100

The maximum exposure to credit risk for bond investments by geographic region of bond issuers:

Region		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Taiwan		\$245,870,986	22.45	\$250,550,719	24.82
Developed countries	Asia	43,239,601	3.95	33,560,553	3.32
	North America	346,356,978	31.63	304,638,517	30.17
	Europe	173,478,859	15.84	153,485,945	15.20
	Oceania	17,961,661	1.64	19,359,856	1.92
Multi-country investment		7,100,465	0.65	8,893,012	0.88
Emerging countries (except Taiwan)		261,017,148	23.84	239,187,086	23.69
Total		\$1,095,025,698	100.00	\$1,009,675,688	100.00

E : As of December 31, 2022 and 2021, the Company and its subsidiaries had no overdue financial assets that's was not impaired.

F : Analysis of financial assets that are individually determined to be impaired.

a. Non-derivative financial asset

	December 31, 2022		
	Impaired Amount	Accumulated Impairment	Net
Accounts receivables	\$160,544	\$56,478	\$104,066

	December 31, 2021		
	Impaired Amount	Accumulated Impairment	Net
Accounts receivables	\$14,038	\$13,320	\$718

b. Impaired loans (Exclude policy loans and automatic premium loans)

December 31, 2022	Loans (Exclude policy loans and automatic premium loans)		
	Real estate mortgage	Other secured loan	Total
Impaired amount	\$41,048	\$-	\$41,048
Less: Impairment reserves	(96)	-	(96)
Net	\$40,952	\$-	\$40,952

December 31, 2021	Loans (Exclude policy loans and automatic premium loans)		
	Real estate mortgage	Other secured loan	Total
Impaired amount	\$53,593	\$-	\$53,593
Less: Impairment reserves	(687)	-	(687)
Net	\$52,906	\$-	\$52,906

(4) Operational risk

Operational risk is the potential for loss of the Company and its subsidiaries' financial instruments arising from the failure of people, process, technology or the impact of external events. The goal of the Company and its subsidiaries' operational risk management are to set up and implement sufficient risk management mechanisms; therefore, the Company and its subsidiaries' operation and management goals will be achieved by lowering the operational risk.

The Company and its subsidiaries set up business regulations and internal control systems for each of its products and operating activities and the operating units are responsible to comply with them. Based on the laws and regulations, the nature of business and the operating processes, each of the Company and its subsidiaries' departments shall execute the procedures of internal control, self-audit and compliance with laws and regulations. Each department shall comply with the laws and regulations, internal chapters and hierarchical authorization to execute operational risk management. The Department of Legal & Compliance shall review all the external contracts or exchanged legal documents, and advice or a legal opinion from external lawyers may be required depending on the situation. Upon material damages or unusual conditions incurred in the internal operations, they shall be reported as the standard procedures and emergency meetings shall also be held to develop risk response strategies.

In addition, the subsidiary MLI's every department implemented self-evaluation operation (RCSA) to effectively identify, assess, monitor and control the potential operational risks. The risk management department regularly prepares self-assess operational risk management reports to monitor the subsidiary MLI's operational risk, provides advises on operational risk management.

(5) The amendments to interest rate benchmark reform-phase 2

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The subsidiary MLI has exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The subsidiary MLI's main IBOR exposure at the reporting date is sterling LIBOR which is planned to be discontinued by the end of June, 2023 and replaced by the other interest rates such as Secured Overnight Financing Rate (SOFR). The sterling LIBOR will still be used in quotation for a while beyond the end of 2021, but the subsidiary MLI had completed the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the end of 2021.

The main risks to which the subsidiary MLI is exposed as a result of IBOR reform are operational. For example, the renegotiation of borrowing contracts through bilateral negotiation with counterparties, updating of contractual terms, and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. However, the scope of risk has been determined after checking which also has been adjusted or expected to be adjusted, and there is no risk of economic substance in the financial assets.

The product development department, investment linked product department, and investment department of the subsidiary MLI have assessed the range of the influence, and have reported it to the Board of Directors periodically until the progress of the adjustment is completed.

The subsidiary MLI monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The subsidiary MLI considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following tables show the total amounts of unreformed contracts and those with appropriate fallback language on December 31 2022 and 2021. The amounts of financial assets are shown at their carrying amounts.

	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
December 31,2022		
Financial assets		
Financial bonds	\$-	\$13,263,078
December 31,2021		
Financial assets		
Financial bonds	\$-	\$14,943,109

12.3 Fair value valuation

- 1.The following valuation methods are for analyzing the financial instrument measured at fair value. Each level of fair valued hierarchy is defined as follows:

Level 1 : Fair value of financial instruments classified in level 1 is based on the quoted price for an identical financial instrument in an active market. The definition of active market includes all of the following conditions: (1) the products traded in the market are homogeneous, (2) willing parties are available anytime in the market, and (3) price information is available for the public.

Level 2 : Fair value of financial instruments classified in level 2 is based on inputs other than quoted prices in active markets including observable input parameters obtained either directly (i.e., as prices) or indirectly (i.e., derived from prices) in active markets. Examples of observable inputs are as follows:

- (1) The quoted price for a similar financial instrument in an active market means the market transaction price for a similar financial instrument based on its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the market transaction prices for an identical financial instrument, wherein the quoted price does not represent the fair value at the measurement date. The reasons also include the difference in transaction terms for financial instruments, transaction prices involving related parties, and the relationship between the observable transaction prices of identical financial instruments and the market prices of held financial instruments.
- (2) The quoted market price of an identical or similar financial instrument in an inactive market.
- (3) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs (i.e., interest rate, yield curve, and volatility rate) used are based on data obtainable from the market. An observable input can be derived from market data and reflects the expectation of market participants when it is used in evaluating the prices of financial instruments.
- (4) A majority of the inputs are derived from observable market data, or the input correlation can be tested based on observable market data.

Level 3 : Input for a fair value measurement for a financial instrument in Level 3 is not based on data obtainable from the market. An unobservable input, such as volatility for a share option derived from the share's historical price, does not generally represent current market expectations about future volatility.

December 31, 2022				
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVTPL				
Common stocks	\$29,180,726	\$29,152,880	\$-	\$27,846
Preferred stocks	214,716	214,716	-	-
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	6,046,311	-	6,046,311	-
Financial bonds	4,254,628	-	4,254,628	-
Beneficiary certificates and others	17,705,229	16,780,171	-	925,058
Foreign stocks	2,143,561	2,143,561	-	-
Foreign depository receipts	368,560	368,560	-	-
Foreign bonds	1,657,683	-	1,657,683	-
Foreign beneficiary certificates	17,738,706	17,313,045	-	425,661
Total	<u>\$79,310,120</u>	<u>\$65,972,933</u>	<u>\$11,958,622</u>	<u>\$1,378,565</u>
Financial assets measured at FVOCI				
Government bonds	\$9,888,641	\$-	\$9,888,641	\$-
Corporate bonds	19,095,238	-	19,095,238	-
Financial bonds	2,743,401	-	2,743,401	-
Foreign bonds	11,806,891	9,054,317	2,752,574	-
Unquoted stocks	943,732	-	-	943,732
Common stocks	141	141	-	-
Preferred stocks	29,408	-	-	29,408
Total	<u>\$44,507,452</u>	<u>\$9,054,458</u>	<u>\$34,479,854</u>	<u>\$973,140</u>
Investment property	<u>\$21,697,576</u>	<u>\$-</u>	<u>\$-</u>	<u>\$21,697,576</u>
Financial liabilities measured at FVTPL				
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	\$3,389,686	\$-	\$3,389,686	\$-
Redemption options and put options of convertible bonds	34,532	-	34,532	-
Total	<u>\$3,424,218</u>	<u>\$-</u>	<u>\$3,424,218</u>	<u>\$-</u>

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVTPL				
Common stocks	\$10,088,486	\$9,502,753	\$556,421	\$29,312
Preferred stocks	374,950	374,950	-	-
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	2,386,299	-	2,386,299	-
Cross currency swaps contracts	980,647	-	980,647	-
Financial bonds	4,541,774	-	4,541,774	-
Beneficiary certificates and others	17,076,079	16,263,549	-	812,530
Foreign stocks	8,149,718	8,149,718	-	-
Foreign depository receipts	312,730	312,730	-	-
Foreign bonds	2,015,076	-	2,015,076	-
Foreign beneficiary certificates	18,030,790	17,474,466	-	556,324
Total	<u>\$63,956,549</u>	<u>\$52,078,166</u>	<u>\$10,480,217</u>	<u>\$1,398,166</u>
Financial assets measured at FVOCI				
Government bonds	\$8,843,839	\$-	\$8,843,839	\$-
Corporate bonds	20,127,512	-	20,127,512	-
Financial bonds	5,392,092	-	5,392,092	-
Foreign bonds	10,304,221	7,633,806	2,670,415	-
Unquoted stocks	1,315,225	-	-	1,315,225
Common stocks	127	127	-	-
Preferred stocks	58,496	-	-	58,496
Total	<u>\$46,041,512</u>	<u>7,633,933</u>	<u>\$37,033,858</u>	<u>\$1,373,721</u>
Investment property	<u>\$26,130,520</u>	<u>\$-</u>	<u>\$-</u>	<u>\$26,130,520</u>
Financial liabilities measured at FVTPL				
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	\$124,987	\$-	\$124,987	\$-
Redemption options and put options of convertible bonds	2,214	-	2,214	-
Total	<u>\$127,201</u>	<u>\$-</u>	<u>\$127,201</u>	<u>\$-</u>

2. There was no significant transfer between the first and second levels for the years ended December 31, 2022 and 2021.

3. The below table shows a reconciliation of Level 3 fair values:

	FVTPL	FVOCI	Investment property	Total
January 1, 2022	\$1,398,166	\$1,373,721	\$26,130,520	\$28,902,407
Gains and losses				
Recognized in profit or loss	(195,697)	-	59,792	(135,905)
Recognized in OCI	-	(392,145)	-	(392,145)
Purchased	177,829	20,000	8,537	206,366
Disposals	(1,733)	(28,436)	(6,985,550)	(7,015,719)
Reclassification	-	-	2,484,277	2,484,277
December 31, 2022	<u>\$1,378,565</u>	<u>\$973,140</u>	<u>\$21,697,576</u>	<u>\$24,049,281</u>

	FVTPL	FVOCI	Investment property	Total
January 1, 2021	\$1,077,912	\$1,204,377	\$27,250,368	\$29,532,657
Gains and losses				
Recognized in profit or loss	179,668	-	37,211	216,879
Recognized in OCI	-	243,658	-	243,658
Purchased	154,331	50,629	19,245	244,205
Disposals	-	(124,943)	(1,176,304)	(1,301,247)
Reclassification	(13,745)	-	-	(13,745)
December 31, 2021	<u>\$1,398,166</u>	<u>\$1,373,721</u>	<u>\$26,130,520</u>	<u>\$28,902,407</u>

The gains and losses above are recognized based on “Financial assets and liabilities measured at FVTPL”, “Unrealized gains and losses measured at FVOCI” and “Gains and losses on investment property”. The related assets held by the Company and its subsidiaries on December 31, 2022 and 2021 are as follows:

	2022	2021
Gains and losses		
Recognized in profit or loss (“Financial assets and liabilities measured at FVTPL”)	\$(195,697)	\$179,668
Recognized in OCI (“Unrealized gains and losses measured at FVOCI”)	(392,145)	243,658
Recognized in profit or loss (“Gains and losses on investment property”)	59,792	37,211

4. Fair value information of significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Item	Valuation technique	Significant unobservable inputs	Inter-relationship Between significant Unobservable inputs and fair value measurement
The Company			
Financial assets measured at FVOCI	Market comparison method	Liquidity discount rate 2021 and 2022: 20%~35%	Inverse relationship
The subsidiary MLI			
Financial assets measured at FVTPL – Beneficiary certificates and others	Asset adjustment method	Liquidity discount rate 2021 and 2022: 0% to 25%	Inverse relationship
Financial assets measured at FVTPL – Private fund	Asset adjustment method	Liquidity discount rate 2022: 0% to 30% 2021: 0% to 60% Discount rate 2021 and 2022: 0% to 20%	Inverse relationship
Financial assets measured at FVOCI-Venture capital	Asset adjustment method	Liquidity discount rate 2021 and 2022: 0% to 30%	Inverse relationship
The subsidiary MA			
Financial assets measured at FVTPL -Private fund	Option pricing model	Liquidity discount rate 2021: 20%	Inverse relationship
Financial assets measured at FVOCI –Unquoted stocks	Market comparison method	Liquidity discount rate 2022 : 7.95% 2021 : 13.73%	Inverse relationship

Item	Valuation technique	Significant unobservable inputs	Inter-relationship Between significant Unobservable inputs and fair value measurement
The subsidiary MFB			
Financial assets measured at FVOCI –Unquoted stocks	Market comparison method	Liquidity discount rate 2022 and 2021: 20%	Inverse relationship
The subsidiary MDS			
Financial assets measured at FVOCI –Unquoted stocks	Market comparison method	Liquidity discount rate 2022: 15%~30% 2021: 20%~50%	Inverse relationship
The subsidiary SCI			
Financial assets measured at FVOCI –Unquoted stocks	Comparable listed company method	Liquidity discount rate 2022: 23% 2021 : 23%~50%	Inverse relationship
The subsidiary MF			
Financial assets measured at FVTPL – Private fund	Option pricing model	Liquidity discount Rate 2021: 20%	Inverse relationship

5. Classification process of Level 3 fair value

The Company and its subsidiaries' Risk Management Department is responsible to verify the fair values of the assets based on independent sources that reflect the nearest market conditions. The Company and its subsidiaries ensure that the information used are independent, reliable, and coherent with other resources and represent exercisable prices. Also, the Company and its subsidiaries policy require that these fair values are analyzed for remeasurement and reassessment on each reporting date to ensure that the fair values are reasonable.

6. Sensitivity analysis of Level 3 fair value

While the Company and its subsidiaries' measurement of fair value on financial assets are reasonable, these fair values might differ, should a different valuation model be used as its measurement method. The following table describes the impact to the profit or loss and other comprehensive income should change in the inputs be used on Level 3 financial assets.

		December 31, 2022					
			Increase or decrease in input	Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
		Input		Positive impact	Negative impact	Positive impact	Negative impact
The Company							
Financial assets measured at FVOCI							
Unquoted shares	Variable discount	1%	\$-	\$-	\$89	\$(90)	
Venture capital	Variable discount	1%	-	-	27	(27)	
The subsidiary MLI							
Financial assets measured at FVTPL							
Beneficiary certificates and others	Variable discount	10%	-	(9,238)	-	-	
Private fund	Variable discount	10%	-	(62,016)	-	-	
	Discount rate	1%	-	(21,995)	-	-	
Financial assets measured at FVOCI							
Venture capital	Variable discount	10%	-	-	-	(44,600)	
The subsidiary MA							
Financial assets measured at FVOCI							
Unquoted shares	Variable discount	1%	-	-	11	(11)	
The subsidiary MFB							
Financial assets measured at FVOCI							
Unquoted shares	Variable discount	1%	-	-	40	(40)	
The subsidiary MDS							
Financial assets measured at FVOCI							
Unquoted shares	Variable discount	1%	-	-	125	(126)	
The subsidiary SCI							
Financial assets measured at FVOCI							
Unquoted shares	Variable discount	5%	-	-	976	(1,021)	

		December 31, 2021				
			Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
	Input	Increase or decrease in input	Positive impact	Negative impact	Positive impact	Negative impact
The Company						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	\$-	\$-	\$87	\$(87)
Venture capital	Variable discount	1%	-	-	29	(30)
The subsidiary MLI						
Financial assets measured at FVTPL						
Beneficiary certificates and others	Variable discount	10%	-	(4,817)	-	-
Private fund	Variable discount	10%	-	(81,824)	-	-
	Discount rate	1%	-	(18,228)	-	-
Financial assets measured at FVOCI						
Venture capital	Variable discount	10%	-	-	-	(87,326)
The subsidiary MA						
Financial assets measured at FVTPL						
Private fund	Variable discount	1%	74	(74)	-	-
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	20	(20)
The subsidiary MFB						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	43	(44)

		December 31, 2021				
		Increase or decrease in input	Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
Input			Positive impact	Negative impact	Positive impact	Negative impact
The subsidiary MDS						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	301	(301)
The subsidiary SCI						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	5%	-	-	2,345	(2,247)
The subsidiary MF						
Financial assets measured at FVTPL						
Private fund	Variable discount	1%	49	(49)	-	-

The positive and negative impacts are results from changes in fair values, which calculations are affected by changes in the unobservable inputs. Should the fair value of a financial asset be affected by more than one input, the fair values are not presented in the table above. The table above presents the impact of changes in one input only, and does not consider the relationship between other inputs in the valuation of fair values above.

12.4 Financial instruments not measured at fair value

The Company and its subsidiaries' financial instruments not measured at fair value are listed in the table below. Other than cash and cash equivalent, receivables / payables, loans, intercompany reinsurance receivables, claims and payments recoverable from reinsurers, short-term borrowings, refundable deposit and guarantee deposits received, whose values are reasonably closed to their fair value, as well as lease liabilities, disclosure of fair value is not required. The fair value of financial instruments and non-financial assets not measured at fair value are as follows:

		December 31, 2022		
Assets and liabilities	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Financial assets measured at amortized costs	\$774,317,631	\$290,202,128	\$484,115,503	\$-
Financial liabilities:				
Bonds payable	10,366,674	2,136,124	8,230,550	-

		December 31, 2021		
Assets and liabilities	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:				
Financial assets measured at amortized costs	\$943,342,035	\$379,660,426	\$563,681,609	\$-
Financial liabilities:				
Bonds payable	11,040,297	2,525,717	8,514,580	-

12.5 Offsetting financial assets and financial liabilities

The subsidiary MLI is offsetting its financial instruments according to the conditions set forth in paragraph 42 of IAS 32 endorsed by the FSC, in which its financial assets and liabilities are presented as net amounts in the statement of financial position.

The subsidiary MLI also performs transactions not applicable to the International Financial Reporting Standards Sections 42 NO. 32, but the subsidiary MLI has an exercisable master netting arrangement or similar agreement in place with its counterparties, and both parties reach a consensus regarding net settlement. The aforesaid exercisable master netting arrangement or similar agreement can be net settled after offsetting the financial assets and financial liabilities. Otherwise, the transaction can be settled at the total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

Financial assets (liabilities) subject to offsetting, enforceable master netting arrangement or similar arrangement						
	Total gross amounts of recognized financial assets (liabilities) (a)	Total amounts of recognized financial assets (liabilities) offset in the statement of financial position (b)	Net amounts of recognized financial assets (liabilities) in the statement of financial position (c)=(a)-(b)	Related amount not offset in the statement of financial position(d)	Cash Collateral received	Net amount (e)=(c)-(d)
				Financial instrument		
December 31, 2022						
Derivative instruments assets	\$6,035,151	\$-	\$6,035,151	\$2,824,440	\$-	\$3,210,711
Derivative instruments liabilities	(3,389,686)	-	(3,389,686)	(2,824,440)	-	(565,246)
December 31, 2021						
Derivative instruments assets	\$3,366,946	\$-	\$3,366,946	\$124,077	\$-	\$3,242,869
Derivative instruments liabilities	(124,987)	-	(124,987)	(124,077)	-	(910)

12.6 Information of derivatives instruments

1. The subsidiary MLI

The subsidiary MLI's derivative instruments includes forward foreign exchange contracts, foreign exchange swaps contracts, and cross currency swaps contracts. Relevant information is as follows:

(1) Type, purpose, contract (principal) value and carry amount

The subsidiary MLI's forward foreign exchange contracts, foreign exchange swaps contracts, and cross currency swaps contracts are mainly used to avoid the risk arise from changing in interest rate.

The subsidiary MLI's hedging strategy is aimed to avoid most of the market price risk. The subsidiary MLI uses derivatives (which fair values are inversely proportional to the assets being hedged) as hedging instruments and assesses it regularly. However, the derivatives do not meet the conditions of hedge accounting, thus, they are classified as financial assets held for trading. The details of the derivative instruments held by the subsidiary MLI which does not meet the conditions of hedge accounting are as follows:

December 31, 2022			
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$6,035,151	USD	8,575,000
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$3,137,667	USD	7,468,000
Forward foreign exchange contracts	123,484	AUD	210,100
Forward foreign exchange contracts	128,535	NZD	106,000
	<u>\$3,389,686</u>		
December 31, 2021			
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$2,347,979	USD	\$16,994,000
Forward foreign exchange contracts	38,320	AUD	155,000
Cross currency swaps contracts	980,647	USD	650,000
	<u>\$3,366,946</u>		
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$88,931	USD	\$1,495,000
Forward foreign exchange contracts	13,840	NZD	79,100
Forward foreign exchange contracts	22,216	AUD	77,900
	<u>\$124,987</u>		

(2)Fair Value

The fair value of the derivative is the amount that the subsidiary MLI may claim or have to pay if the contract is terminated on the reporting date. It generally includes unrealized gains and losses from outstanding contracts for the current period. The fair value of the subsidiary MLI's derivatives is calculated from the quotation of financial institutions.

The futures of the subsidiary MLI held on December 31, 2022 and 2021 were closed.

On December 31, 2022 and 2021, the margin paid for futures exchange were \$0 thousand and \$952,290 thousand, respectively. The margins were classified under guarantee deposits.

(3) Presentation of derivatives on financial statement

Derivatives of the subsidiary MLI (including forward foreign exchange and cross currency swaps) presented under balance sheet are as follows:

	December 31, 2022	December 31, 2021
Financial assets at FVPTL	\$6,035,151	\$3,366,946
Financial liabilities at FVPTL	\$3,389,686	\$124,987

2. The subsidiary MDS

The subsidiary MDS's entered into forward exchange contracts to avoid the risk of imports due to fluctuations in exchange rates. However, the aforementioned derivatives did not meet the criteria for hedge accounting.

(1) The details of the derivative instruments are as follows:

	December 31, 2022		
	Carrying amount	The amount determined by the market price	The amount determined by the evaluation method
Financial assets at FVPTL	\$11,160	\$11,160	\$-

(2) The informations of the derivative instruments and contracts are as follows:

	December 31, 2022	
Derivatives financial instruments	Contract Amount (Thousands)	Contract Period
Forward foreign exchange contracts		
Buy USD /Sell NTD	USD 24,800	2022.07.14~2024.03.29
Buy EUR /Sell NTD	EUR 2,200	2022.07.07~2023.05.25

12.7 Nature and extent of risks from insurance contracts of the subsidiary MLI

1. Objectives, policies, processes and methods for managing risks arising from insurance contracts.

(1) Risk management's structure, organization and the authority scope

A. Board of directors

- a. In order to integrate the planning, implementation, supervision and coordination of the risk management, the "Risk Management Committee" is set up under the Board of directors and the Risk Management Department is set up to execute risk management matters.
- b. The board of directors is the highest decision-making unit in establishing an effective risk management system for the subsidiary MLI, and assumes the ultimate responsibility for overall risk management.
- c. The board of directors should approve the risk management policies and major decisions in accordance with the overall business environment and strategy, and ensure the effective operation of the risk management mechanism.

B. Risk Management Committee

- a. The Committee is responsible to conduct risk management policies and procedures, implement risk management decisions of the Board of Directors, and regularly submit risk assessment reports to the Board.
- b. Monitoring all kinds of risks and establishing their management indicators, and coordinating risk management functions with interaction and communication between each departments.

C. Risk Management department

- a. The department is responsible for aggregating, measuring and monitoring the subsidiary MLI's overall risk information, and regularly submitting risk assessment reports.
- b. Implementing the risk management decisions, coordinating and communicating to various departments' risk management mechanism. When necessary, giving recommendations of risk management for each departments' decision-making.

D. Relevant departments of the subsidiary MLI

- a. Risk management operations should be carried out in accordance with risk management procedures, manage their daily risks, take the necessary response measures, and submit relevant reports in a timely manner.
- b. Should provide timely, reliable risk information, and feasible, effective control measures based on the needs of risk management.

E. Audit unit

- a. Examine the relevant departments' risk management implementation according to the relevant laws and regulations.

(2) The scope and nature of the risk reporting and measurement system

A. Method used: Effective duration or effective convexity analysis, cash flow management, deterministic scenario testing and stress testing.

B. Relevant assumptions and parameters: Setting the system based on the needs of various measurement methods, the data gathered from domestic or foreign research, and practical experience.

C. Advantages and limitations of various measurement methods:

a. Effective duration or effective convexity analysis

- Advantages: It is easy to calculate, and able to measure fixed-income assets with options.
- Limitations: If the yield curve is moving in parallel, then it is unable to measure non-parallel movement.

b. Cash flow management

- Advantages: Enhance the effectiveness of decision-making, strengthen financial control, and reflect the ability to continue to operate.
- Limitations: The estimate of the cash flow may be subjective, and the estimated future cash flow may not reflect the actual situation.

c. Deterministic Scenario Testing

- Advantages: It is able to consider multiple variables change at the same time, and able to analyze and calculate the possibilities for a particular situation.

- Limitations: Only some specific situations can be tested, the scenario of the change is subjective and it is not able to consider the situations of nonlinear relationship or extreme risk.

d. Stress test

- Advantages: It is able to measure the losses that may occur in a particular extreme situation.
- Limitations: It is unable to measure the possibility of a particular extreme situation.

(3) The procedures for ensuring, monitoring, supervising and controlling insurance risks, and policies to ensure appropriate risk classification and premium level.

A. Insurance risk management procedures.

- a. The relevant departments shall identify the risks that may arise from its business.
- b. The relevant departments shall analyze the possibility of the risk and the impact on the subsidiary MLI as the basis for the management and monitoring of the subsequent risks.
- c. The relevant departments should measure and summarize the risks, and take appropriate response.

B. Underwriting policy

The objectives of the subsidiary MLI is not only in promoting business development, but also in risk control planning. The underwriting principles are as follows:

- a. Design the proper investments base on the clients' incentives, demand, financial status, and payment capacity.
- b. If necessary, request the policyholder to provide relevant documents, medical reports, and reasonably adjust the investment contract.
- c. Insurance with significant amount must be provided with financial notice and medical report, and carry out the necessary credit investigation by the subsidiary MLI.

- d. The underwriters should evaluate the policyholders, give the policyholders "annotation", "fee limit" or "decline" based on the health status.
- e. Stipulate rules for uninsurable object.

(4) Assessing and managing the insurance risks on the corporate base.

The principal risks of the subsidiary MLI's issuance of insurance contracts are as follows:

- A. Capital allocation risk: Risks arose from asset allocation that is not appropriate for characteristics of commodities.
- B. Reinsurance risk: Risks arose from improper reinsurance planning.
- C. Underwriting risk: Risks arose from improper underwriting control.
- D. Commodity structure risk: Risks arose from improper product design and pricing.

(5) Limit or transfer risk exposure and avoid inappropriate risk concentration.

For the risks above, the subsidiary MLI's methods are as follows:

- A. Capital allocation planning: Reduce the risk of capital allocation through investment risk control and interest rate risk control, and effectively manage the risk of interest rate fluctuations in the portfolio.
- B. Reinsurance planning: Through reinsurance, transfer all or part of the risk to the third party.
- C. Underwriting control: Conduct insured limit, insured age limit, underwriting policies, risk control measures and necessary sales descriptions to reduce the risk of underwriting.
- D. Commodity structure design: Conduct profit analysis, sensitivity test, check the ratio of the annual termination fee and the premiums paid for each policy, compared with similar products in the industry to ensure the design, pricing, and the rationality of the structure.

(6) Assets and liabilities management.

- A. Risk identification include at least three of the following factors.
 - a. Market risk: Mainly due to changes in interest rates, causing the difference between the change of price in assets and liabilities.

- b. Liquidity risk: Mainly refers to the absence of sufficient cash or liquidity assets to meet cash expenditures.
- c. Insurance risk: Mainly refers to the behavior of the guarantor causing cash flow of liabilities and assets cannot corporate to each other.

B. Risk measurement methods are as follows:

- a. Effective duration or effective convexity analysis.
- b. Cash flow management
- c. Deterministic scenario analysis
- d. Stress test

C. Risk response : Measure and summarize the risks and submit them regularly to the Risk Management Committee for review and discussion in order to conduct appropriate and feasible response.

- a. Risk avoidance: Not to engage in or carry out the business activities or trade its assets and commodities.
- b. Risk transfer: Transfer all or part of the asset or liability risk to the third party through reinsurance or hedging.
- c. Risk control: Take appropriate control measures to reduce the possibilities of risk and the negative impacts.

2. Insurance contracts' credit risk, liquidity risk and market risk.

(1) Credit risk

To the subsidiary MLI, the credit risk includes the risk that the reinsurer will fail to meet the obligations of the reinsurance contract, causing loss to the insurer. Financial guarantee contract means that the guarantor must make up for the loss of the contract holder when the debtor cannot pay the debt. The subsidiary MLI does not hold a financial guarantee contract. To avoid the above risks, the subsidiary MLI follow the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms” to arrange reinsurance. Also, these reinsurance companies have certain credit rating which meet the requirements of reinsurer, and the credit ratings are periodically evaluated.

According to “The Provision of Unqualified Reinsurance Reserve” fifth point, the subsidiary MLI disclosed the ceding of the unqualified reinsurance in its financial statements and the substance including the summary of unqualified reinsurance contracts and related sort, unqualified reinsurance expense, the amount of the unqualified reinsurance reserve, and the principled summary of the composition.

(2) Liquidity risk

The subsidiary MLI uses cash flow maturity analysis to assess liquidity risk. The liquidity risk of the subsidiary MLI's insurance contract net cash outflow (inflow) on December 31, 2022 and 2021 are as follows:

Unit: Million dollar

	December 31, 2022				
	Less than 1 year	1~3 years	3~5 years	5~15 years	Above 15 years
Insurance liabilities with discretion to participate in the characteristic investment contract	\$195	\$5,669	\$20,085	\$311,433	\$3,015,759

Unit: Million dollar

	December 31, 2021				
	Less than 1 year	1~3 years	3~5 years	5~15 years	Above 15 years
Insurance liabilities with discretion to participate in the characteristic investment contract	\$(4,935)	\$(8,010)	\$8,289	\$271,749	\$3,163,910

Note: The form above is not able to do reference with the subsidiary MLI's balance sheet, due to the contract is not discounted cash flow analysis of the maturity date, including the future renewal of premium income cash inflows.

(3) Market risk

A. When the subsidiary MLI assesses the properness of the insurance liabilities, the subsidiary MLI's overall return on investment (ROI) is the basis for discounting, so the market risk is reflected in the discount rate. Market risk includes at least the following four risk factors.

- a. Interest rate risk: Refers to the impairment of assets due to the changes of interest rate.

- b. Exchange rate risk: Refers to the impairment of assets due to the changes of exchange rates.
 - c. Equity securities risk: Refers to the impairment of market value due to the fluctuation of equity asset price.
 - d. Commodity risk: Refers to the impairment of market price due to the fluctuation of commodity price.
 - B. Market risk measurement: The subsidiary MLI performs discount rate sensitivity analysis to measure the impact of market risk.
 - C. Measurements to reduce the impact causing by changes in market.
 - a. Assets: Regularly calculate market risk, and conduct periodic risk reports to understand the market risk of the assets.
 - b. Liabilities: Issuance of separate account contracts and floating rate contracts to reduce the market risk.
 - c. Assets and liabilities: Reduce the duration differences between assets and liabilities to reduce the impact of market risk.
3. When derivative embedded commodity is not measured at fair value, the market risk of the derivative embedded commodity is as follows:
- (1) The subsidiary MLI issues three types of derivative embedded commodity that are not valued at market price.
 - A. First type: The contract holder has the option to terminate the contract on agreed value.
 - B. Second type: Derivative embedded commodity with guaranteed minimum interest rate: the interest rate is used to determine the termination value or the maturity value, and the contract is issued at the money or out of the money, and without the leverage effect.
 - C. Third type: The death benefit is the greater of the following.
 - a. The unit value of investment fund (equivalent to the compensation for termination or maturity value).
 - b. Guaranteed minimum payment.
 - (2) Market risk exposure information.
 - A. First type: The subsidiary MLI's overall return on investment is lower than the average estimated interest rate.

B. Second type: The subsidiary MLI's overall return on investment or segmental return on assets is lower than the estimated interest rate.

C. Third type: Value of the separate account declined rapidly, resulted in value lower than guaranteed minimum amount of the death benefits, thus the cost of life insurance is insufficient.

4. Insurance risk information.

(1) Sensitivity of insurance risk- Insurance contract and financial products with discretionary participation.

Information on the impact of net income before tax and equity.

Unit: Thousand dollar

Actuarial assumptions	December 31, 2022		
	Change assumption	Effect on profits before tax	Effect on equity
Life table / morbidity	+10%	\$(1,724,316)	\$(1,379,453)
	-10%	1,724,316	1,379,453
Return on investment / discount rate	+0.25%	3,258,139	2,606,511
	-0.25%	(3,258,139)	(2,606,511)
Fee	+10%	(441,209)	(352,967)
	-10%	441,209	352,967
Retreat rate and termination rate	+10%	119,405	95,524
	-10%	(119,405)	(95,524)

Unit: Thousand dollar

Actuarial assumptions	December 31, 2021		
	Change assumption	Effect on profits before tax	Effect on equity
Life table / morbidity	+10%	\$(1,502,093)	\$(1,201,674)
	-10%	1,502,093	1,201,674
Return on investment / discount rate	+0.25%	3,044,132	2,435,306
	-0.25%	(3,044,132)	(2,435,306)
Fee	+10%	(423,030)	(338,424)
	-10%	423,030	338,424
Retreat rate and termination rate	+10%	150,486	120,389
	-10%	(150,486)	(120,389)

The table illustrates the impact of changing in net income before tax refers of the subsidiary MLI for the years ended December 31, 2022 and 2021. Impact of equity is based on 20% tax rate.

(2) Description of Insurance risk concentration

- A. When identifying insurance risk concentration, excludes the factor of reinsurance, the following situations may cause insurance risk concentration.
- a. Currently, the subsidiary MLI does not cover contracts with risk that the occurrence is low but the impact is significant.
 - b. Risk exposure of multiple contracts causing by one single situation such as significant terrorist attack.
 - c. Risk exposure caused by unexpected changes, such as mortality rate, morbidity, or changing behavior of the insured.
 - d. Significant changes of financial market conditions, causing the policyholders' option becomes in the money.
 - e. Significant lawsuit or legal risk, resulting in a significant loss in a single or multiple contracts, such as large sum of indemnity and reputation loss after losing the lawsuit.
 - f. The interrelationships and interactions between risks, such as the underwriting policy may be for clients that have specific behavior.
 - g. A key variable is close to a significant factor to influence the future cash flow in nonlinear relationship.
 - h. Regional and industrial risks, the subsidiary MLI's business in the north, middle and south three areas, marketing objects are not targeted for specific groups. This items should be insurance risk diversification.
- B. In accordance with "Regulations Governing Insurance Enterprises for Setting Aside Various Reserves," the subsidiary MLI set aside special catastrophe reserve to cover significant claims resulting from major accidents that will incur in the future, and special risk volatility to cover change in loss rate by each type of insurance and abnormal claims. On January 1, 2011, the annual increase in deposits should be in accordance with the IAS 12 after deducting the income tax under other comprehensive income of shareholder's equity.

(3) Claims development trend

The accumulated claims amount of the subsidiary MLI on December 31, 2022 and 2021 are as follows:

A. Claims development trend of direct business.

December 31, 2022

Accident Year	Years of development											Claims Reserve
	0	1	2	3	4	5	6	7	8	9	10	
2012	2,961,202	3,637,724	3,705,026	3,728,376	3,740,360	3,744,586	3,757,409	3,757,409	3,757,409	3,757,409	3,757,409	300
2013	3,073,539	3,830,498	3,913,358	3,924,586	3,930,775	3,941,696	3,941,696	3,941,696	3,941,696	3,941,696	3,941,696	2,027
2014	3,338,136	4,124,064	4,213,515	4,229,425	4,241,090	4,256,184	4,256,184	4,256,184	4,256,184	4,256,184	4,256,184	2,139
2015	3,676,775	4,542,442	4,632,340	4,667,449	4,689,284	4,705,705	4,705,705	4,705,705	4,705,705	4,705,705	4,705,705	2,852
2016	4,125,335	5,152,190	5,301,784	5,376,913	5,445,705	5,487,710	5,487,710	5,487,710	5,487,710	5,487,710	5,487,710	6,417
2017	3,321,722	4,084,430	4,165,036	4,179,806	4,186,415	4,190,522	4,190,522	4,190,522	4,190,522	4,190,522	4,190,522	-
2018	4,105,120	4,994,680	5,079,467	5,091,286	5,097,618	5,104,032	5,104,032	5,104,032	5,104,032	5,104,032	5,104,032	6,414
2019	4,835,230	5,816,526	5,912,188	5,934,852	5,942,169	5,949,360	5,949,360	5,949,360	5,949,360	5,949,360	5,949,360	14,508
2020	5,257,314	6,403,176	6,514,194	6,534,409	6,542,411	6,550,264	6,550,264	6,550,264	6,550,264	6,550,264	6,550,264	36,070
2021	5,814,213	7,126,919	7,246,643	7,268,935	7,277,831	7,286,559	7,286,559	7,286,559	7,286,559	7,286,559	7,286,559	159,640
2022	6,801,648	8,199,282	8,329,400	8,354,002	8,363,991	8,373,854	8,373,854	8,373,854	8,373,854	8,373,854	8,373,854	1,572,206
Total												1,802,573
Reported unpaid claims- long- term insurance												275,255
												<u>\$2,077,828</u>
Unreported unpaid claims reserve												\$1,594,026
Add: Reported but not approved claims (exclude contracts with financial product nature)												483,802
Balance of claims reserve												<u>\$2,077,828</u>

December 31, 2021

Accident Year	Years of development										Claims Reserve
	0	1	2	3	4	5	6	7	8	9	
2012	2,961,202	3,637,724	3,705,026	3,728,376	3,740,360	3,744,586	3,757,409	3,757,409	3,757,409	3,757,409	3,492
2013	3,073,539	3,830,498	3,913,358	3,924,586	3,930,775	3,941,696	3,941,696	3,941,696	3,941,696	3,941,696	1,862
2014	3,338,136	4,124,064	4,213,515	4,229,425	4,241,090	4,256,184	4,256,184	4,256,184	4,256,184	4,256,184	5,915
2015	3,676,775	4,542,442	4,632,340	4,667,449	4,689,284	4,705,705	4,705,705	4,705,705	4,705,705	4,705,705	4,965
2016	4,125,335	5,152,190	5,301,784	5,376,913	5,445,705	5,474,022	5,474,022	5,474,022	5,474,022	5,474,022	7,615
2017	3,321,722	4,084,430	4,165,036	4,179,806	4,186,415	4,190,235	4,190,235	4,190,235	4,190,235	4,190,235	3,819
2018	4,105,120	4,994,680	5,079,467	5,091,286	5,102,377	5,107,114	5,107,114	5,107,114	5,107,114	5,107,114	15,829
2019	4,835,230	5,816,526	5,912,188	5,929,678	5,941,309	5,946,835	5,946,835	5,946,835	5,946,835	5,946,835	34,647
2020	5,257,314	6,403,176	6,507,890	6,526,606	6,539,480	6,545,551	6,545,551	6,545,551	6,545,551	6,545,551	142,375
2021	5,814,213	7,037,980	7,151,363	7,171,434	7,185,330	7,191,893	7,191,893	7,191,893	7,191,893	7,191,893	1,377,679
Total											1,598,198
Reported unpaid claims- long- term insurance											270,311
											<u>\$1,868,509</u>
Unreported unpaid claims reserve											\$1,394,898
Add: Reported but not approved claims (exclude contracts with financial product nature)											473,611
Balance of claims reserve											<u>\$1,868,509</u>

B. Claims development trend of retention business

December 31, 2022

Accident Year	Years of development											Claims Reserve
	0	1	2	3	4	5	6	7	8	9	10	
2012	2,955,809	3,626,644	3,693,946	3,717,296	3,729,063	3,733,289	3,746,112	3,746,112	3,746,112	3,746,112	3,746,112	300
2013	3,069,522	3,823,459	3,906,315	3,917,543	3,923,732	3,934,731	3,934,731	3,934,731	3,934,731	3,934,731	3,934,731	2,026
2014	3,329,954	4,115,758	4,204,403	4,220,261	4,231,926	4,247,020	4,247,020	4,247,020	4,247,020	4,247,020	4,247,020	2,139
2015	3,666,549	4,525,082	4,614,119	4,649,228	4,671,063	4,687,484	4,687,484	4,687,484	4,687,484	4,687,484	4,687,484	2,852
2016	4,110,406	5,127,656	5,276,209	5,350,309	5,416,238	5,458,244	5,458,244	5,458,244	5,458,244	5,458,244	5,458,244	6,417
2017	3,312,168	4,072,218	4,151,157	4,165,926	4,172,536	4,176,643	4,176,643	4,176,643	4,176,643	4,176,643	4,176,643	-
2018	4,079,265	4,962,152	5,042,634	5,054,453	5,060,785	5,067,140	5,067,140	5,067,140	5,067,140	5,067,140	5,067,140	6,355
2019	4,823,566	5,800,141	5,895,715	5,918,378	5,925,688	5,932,875	5,932,875	5,932,875	5,932,875	5,932,875	5,932,875	14,497
2020	5,242,219	6,371,927	6,482,945	6,503,033	6,510,987	6,518,798	6,518,798	6,518,798	6,518,798	6,518,798	6,518,798	35,852
2021	5,772,234	7,054,832	7,172,140	7,194,180	7,202,979	7,211,621	7,211,621	7,211,621	7,211,621	7,211,621	7,211,621	156,789
2022	6,734,861	8,112,594	8,240,709	8,265,068	8,274,958	8,284,727	8,284,727	8,284,727	8,284,727	8,284,727	8,284,727	1,549,866

December 31, 2021

Accident Year	Years of development										Claims Reserve
	0	1	2	3	4	5	6	7	8	9	
2012	2,955,809	3,626,644	3,693,946	3,717,296	3,729,063	3,733,289	3,746,112	3,746,112	3,746,112	3,746,112	3,492
2013	3,069,522	3,823,459	3,906,315	3,917,543	3,923,732	3,934,731	3,934,731	3,934,731	3,934,731	3,934,731	1,862
2014	3,329,954	4,115,758	4,204,403	4,220,261	4,231,926	4,247,020	4,247,020	4,247,020	4,247,020	4,247,020	5,915
2015	3,666,549	4,525,082	4,614,119	4,649,228	4,671,063	4,687,484	4,687,484	4,687,484	4,687,484	4,687,484	4,966
2016	4,110,406	5,127,656	5,276,209	5,350,309	5,416,238	5,444,556	5,444,556	5,444,556	5,444,556	5,444,556	7,615
2017	3,312,168	4,072,218	4,151,157	4,165,926	4,172,536	4,176,341	4,176,341	4,176,341	4,176,341	4,176,341	3,805
2018	4,079,265	4,962,152	5,042,634	5,054,453	5,063,873	5,068,583	5,068,583	5,068,583	5,068,583	5,068,583	14,130
2019	4,823,566	5,800,141	5,895,697	5,913,132	5,923,318	5,928,825	5,928,825	5,928,825	5,928,825	5,928,825	33,128
2020	5,242,219	6,369,896	6,472,567	6,491,149	6,502,252	6,508,277	6,508,277	6,508,277	6,508,277	6,508,277	138,381
2021	5,766,701	6,968,574	7,079,194	7,099,041	7,111,029	7,117,518	7,117,518	7,117,518	7,117,518	7,117,518	1,350,818

The subsidiary MLI recognizes the claims reserve based on expected future payments and handling charges of both reported and unreported claims. Provision for claims reserves contains highly complexity because it involves many uncertainties, estimations, and judgments. Any changes in estimation and judgment are regarded as changes in accounting estimates; the effect from the changes will book in the net income of current period. Some claims might be delayed reporting to the subsidiary MLI. When estimating the expected possible claims of unreported claims, the subsidiary MLI may get involved in previous claim experiences and subjective judgments. Therefore, the claims reserve recognized at balance sheet date cannot be confined as the same as the final claims payments. Claims reserve recognized is estimated based on the current available information. However, the final result may be departed from the initial estimation subject to the subsequent claims development.

The tables above present the development trend of claim. Each accident year means claim year, the horizontal represents the development years of the claim, and each bold line represents the accumulated incurred claims amount of each accident year on December 31. The claims amount contains the approved and non-approved claims that express the way the subsidiary MLI estimates claims amount of each accident year through time passing. Situations and trends that affecting amount of setting aside for reserves may differ in the future. Therefore, expected future claims payments will not be decided by the table above.

12.8 Involvement with unconsolidated structured entities

The subsidiary MLI holds the following structured entities. The assessment shows that the subsidiary MLI has no control over its entities and is not exposed to their variable returns. Therefore, they are not consolidated into the subsidiary MLI's financial report.

Type	Nature and purpose	Interest of the Company
Securitization vehicles	The subsidiary MLI purchases securitization vehicles to gain profits, interests and other incomes to improve its investment income, including fixed-income securities, financial asset securitization beneficial securities, asset-backed commercial paper conduit, collateralized loan obligations, and mortgage- backed securitizations. The vehicles were financed by issuing various level (tranche) bonds to investors.	Securitization vehicles

Type	Nature and purpose	Interest of the Company
Private equity fund	The subsidiary MLI invests in the private equity fund and manages the trust assets by the third party, and then distributes the fund proceeds to the consolidated company to increase the investment income. The vehicles are financed by issuing the funds (unit) to the investors.	Unit of the private equity funds
REIT securities	The subsidiary MLI invests in titles or issues certificates on REIT funds delivered by the trustee, evidencing the beneficiary interests in the trust property in terms of the principal and profits, interest, and other proceeds accrued. The vehicles were financed by issuing the document of the titles or the certificate on REIT funds delivered by the trustee.	Unit of REIT securities
Transfer of REIT	The subsidiary MLI invests in the transfer of REIT in order to benefit from the proceeds of the development or sale of the property. The vehicles are financed by issuing the transfer of trusts to the investors.	Unit of REIT securities

The subsidiary MLI considers the natures of various structured entities, and disclosure its scale of net assets, total assets or total outstanding principal. Those scales on December 31, 2022 and 2021 are as follows.

	Scale	December 31, 2022	December 31, 2021
Securitization vehicles	Total balances	\$23,898,752	\$20,297,112
Private equity fund	Total outstanding principal	11,521,790	10,616,180
REIT beneficiary securities	Total outstanding principal	312,653,990	329,763,153
Total		<u>\$348,074,532</u>	<u>\$360,676,445</u>

The following table summarizes the carrying amount of the subsidiary MLI's maximum exposure to loss from its involvement with its unconsolidated structured entities on December 31, 2022 and 2021.

	Financial assets measured at	Financial assets measured at	Financial assets measured at	
December 31, 2022	FVTPL	FVOCI	amortized cost	Total
Securitization vehicles	\$-	\$-	\$12,418,838	\$12,418,838
Private equity fund	1,166,876	-	-	1,166,876
REIT beneficiary securities	132,809	-	-	132,809
Total	\$1,299,685	\$-	\$12,418,838	\$13,718,523

	Financial assets measured at	Financial assets measured at	Financial assets measured at	
December 31, 2021	FVTPL	FVOCI	amortized cost	Total
Securitization vehicles	\$-	\$-	\$10,799,975	\$10,799,975
Private equity fund	1,242,793	-	-	1,242,793
REIT beneficiary securities	147,605	-	-	147,605
Total	\$1,390,398	\$-	\$10,799,975	\$12,190,373

For the years ended December 31, 2022 and 2021, the subsidiary MLI did not provide unconsolidated structured entities financial or other support, and had no intention to provide structured entities financial or other support, either. For the years ended December 31, 2022 and 2021, loss related to interest of unconsolidated structured entities did not occur.

12.9 Transfer of financial assets

There was no transfer of financial assets on December 31, 2022 and 2021.

12.10 The assets and liabilities of the subsidiary MLI are expected to be recovered or paid within twelve months after the end of the reporting period, and the amount recovered or paid in more than twelve months:

	December 31, 2022		
	Less than twelve month	More than twelve month	Total
Assets			
Cash and cash equivalents	\$47,827,361	\$-	\$47,827,361
Accounts receivables	9,920,626	-	9,920,626
Current income tax assets	727,255	-	727,255
Investments	73,196,765	1,144,127,449	1,217,324,214
Reinsurance contract assets	2,204,688	-	2,204,688
Property and equipment	-	10,772,359	10,772,359
Right-of-use assets	-	172,917	172,917
Intangible assets	-	172,861	172,861
Other assets	733,811	9,597,874	10,331,685
Liabilities			
Accounts payables	4,882,678	-	4,882,678
Financial liabilities at fair value through profit or less	3,389,686	-	3,389,686
Bonds payable	-	8,500,000	8,500,000
Lease liabilities	123,541	51,093	174,634
Insurance liabilities	30,310,139	1,221,367,783	1,251,677,922
Reserve for fluctuation of foreign exchange	-	7,380,760	7,380,760
Provisions	13,601	723,490	737,091
Other liabilities	225,732	2,377,277	2,603,009

	December 31, 2021		
	Less than twelve month	More than twelve month	Total
Assets			
Cash and cash equivalents	\$97,184,301	\$-	\$97,184,301
Accounts receivables	13,006,272	-	13,006,272
Current income tax assets	459,469	-	459,469
Investments	58,297,190	1,068,199,839	1,126,497,029
Reinsurance contract assets	1,629,869	-	1,629,869
Property and equipment	-	11,785,486	11,785,486
Right-of-use assets	-	238,459	238,459
Intangible assets	-	103,889	103,889
Other assets	158,449	5,815,822	5,974,271
Liabilities			
Accounts payables	6,681,926	-	6,681,926
Current income tax liabilities	2,730	-	2,730
Financial liabilities at fair value through profit or loss	124,987	-	124,987
Bonds payable	-	8,500,000	8,500,000
Lease liabilities	146,047	95,550	241,597
Insurance liabilities	29,432,113	1,173,695,595	1,203,127,708
Reserve for fluctuation of foreign exchange	-	411,705	411,705
Provisions	14,083	864,901	878,984
Other liabilities	269,828	1,652,490	1,922,318

12.11 The subsidiary MLI's information of outsourcing of investment management service

Outsourcing Company	Outsourcing Investment Items	December 31, 2022		December 31, 2021	
		Outsourcing Amount		Outsourcing Amount	
A	Domestic stocks	NTD	-	NTD	3,500,000

12.12 Share-based payment

1. The information of the subsidiary SMR transferred treasury stock to employees in 2021 is as follows:

Grant date	July 7, 2021
Quantity Grant	300
Beneficiaries	Qualified employee
Vesting Conditions	Immediately vested

- (1) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing method. Relevant information is as follows:

	Treasury stock transferred to employee in 2021
Fair value of SMR on grant date	77.28
Exercise price	70.40
Expected price volatility	15.00
Options vesting period	0.04
Risk-free interest rate	0.0973

- (2) The compensation cost resulting from the transfer of treasury stock to employees amounted to \$2,062 thousand for the year ended December 31, 2021.

2. The information of the subsidiary SMR increased capital by shares reserved for employees subscription in 2021 is as follows:

Grant date	November 4, 2021
Quantity Grant	357
Beneficiaries	Qualified employee
Vesting Conditions	Immediately vested

(1) SMR estimates the fair value of stock options using the Black-Scholes option-pricing model. The details are as follows:

	Capital increase by shares reserved for employees subscription
Fair value of SMR on grant date	77.06
Exercise price	69.00
Expected price volatility	28.69
Options vesting period	0.06
Risk-free interest rate	0.222

(2) The compensation cost resulting from capital increase by shares reserved for employees subscription amounted to \$2,456 thousand for the year ended December 31, 2021.

12.13 Seasonality of operations

The operations of the Company and its subsidiaries are not affected by seasonality or periodicity.

12.14 The impact of the COVID-19

Based on the evaluation made by the Company and its subsidiaries regarding its going concern ability, impairment of assets, and financial risks, were not significantly affected by COVID-19.

12.15 Due to global high inflation, substantial tightening of monetary policy is implemented in 2022, leading to a significant increase in interest rates. The degree of interest rate increase has exceeded the extreme scenario defined by the Insurance Capital Standards (ICS) for international insurance capital, indicating the financial environment has been affected significantly. Therefore, the senior management changed the business model of the subsidiary MLI based on a resolution approved during the board meeting held on December 6, 2022. The business models of financial assets, which were impacted, were modified from “collecting contractual cash flows and selling financial assets” into “holding assets in order to collect contractual cash flows”; hence, were reclassified from financial assets measured at fair value through other comprehensive income to financial assets measured at amortized cost. The reclassification mentioned above will be applied prospectively starting from the reclassification date in accordance with the provisions of paragraph 5.6.1 of IFRS9. The subsidiary MLI decided to apply the reclassification on all its impacted financial assets beginning from the first day of the following accounting period (January 1, 2023), resulting in the increase in other equity and financial assets measured at amortized cost by \$5,346,780 thousand and \$46,900,158 thousand, respectively; as well as the decrease in financial assets measured at fair value through other comprehensive income and deferred tax assets by \$40,781,597 thousand and \$771,781 thousand, respectively on January 1, 2023.

13 SUPPLEMENTARY DISCLOSURES

13.1 Significant transactions and information on investees :

1. Loans to others : Appendix 1.
2. Provision of endorsements and guarantees to others: : Appendix 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Appendix 3.
4. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital: Appendix 4.
5. Acquisition of individual real estate properties at costs of at least \$300 million or 20% of the paid-in capital : Appendix 5.
6. Disposal of individual real estate properties at prices of at least \$300 million or 20% of the paid-in capital : Appendix 6.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more : Appendix 7.
8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more : None
9. Derivative financial instruments undertaken during the year ended December 31, 2022 : Please refer to Notes 12.6.
10. Significant inter-company transactions during the reporting periods : Appendix 8.
11. Information on investees : Appendix 9.

13.2 Information on investment in mainland China:

1. The Company has resolved by the board of directors to invest USD 5,000 thousand in Foodservice, and further invested in Mercuries Bakery (shanghai) Ltd. (MB Shanghai) through Foodservice. The investment was approved by the Investment Commission MOEA No. 10100187460 on May 14, 2012 and No. 10000491270 on November 18, 2011.

MB Shanghai ceased its operation and liquidated on December 18, 2019. The remaining assets of USD 174 thousand has been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900238140 on August 25, 2020.
2. The Company has resolved by the board of directors to invest USD 5,000 thousand in Tastynoodle, and further invested in Mercuries Foodservice (Shanghai) Ltd. (MF Shanghai) through Tastynoodle. The investment was approved by the Investment Commission MOEA No. 1010018747 on May 14, 2012 and No. 10000491290 on November 18, 2011.

MF Shanghai ceased its operation and liquidated on October 30, 2019. The remaining assets of USD 27 thousand has been repatriated to Tastynoodle. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900258870 on October 12, 2020.

3. The Company has resolved by the board of directors to invest USD 5,000 thousand in Family Shoemart, and further invested in Mercuries Rich Ltd. (MR) through Family Shoemart. The investment was approved by the Investment Commission MOEA No. 10100184740 on May 14, 2012 and No. 10000491290 on November 18, 2011.

MR ceased its operation and liquidated on July 27, 2020. The remaining assets of USD 390 thousand has been repatriated to Family Shoemart. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900320080 on November 10, 2020.

4. The subsidiary MFB has resolved by the board of directors to invest USD 1,000 thousand in Foodservice and further invested in MF Shanghai through Foodservice. The investment was approved by the Investment Commission MOEA No. 09600208890 on June 22, 2007.

MF Shanghai ceased its operation and liquidated on October 30, 2019. The remaining assets of USD 2 thousand has been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900259000 on October 12, 2020.

5. The subsidiary MA has resolved by the board of directors to invest USD 4,000 thousand in Family shoemart and further invested in MR through Family Shoemart. The investment was approved by the Investment Commission MOEA No. 10600074280 on May 16, 2017. As December 31, 2017, USD 1,000 thousand has been remitted and verified by the Investment Commission MOEA No. 100700030140 on February 27, 2018.

MR ceased its operation and liquidated on July 27, 2020. The remaining assets of USD 54 thousand has been repatriated to Family Shoemart. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900320070 on November 10, 2020.

6. The subsidiary M.T.I. has resolved by the board of directors to invest USD 4,197 thousand in Foodservice and further invested in MB Shanghai. The investment was approval by the Investment Commission MOEA No. 09700098260 on April 8, 2008.

MB Shanghai ceased its operation and liquidated on December 18, 2019. The remaining assets of USD 147 thousand has been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900238120 on August 25, 2020.

7. The subsidiary MF&B has resolved by the board of directors to invest USD 9,000 thousand in Foodservice and further invested in MF Shanghai, MB Shanghai and MR through Foodservice. The investment was approved by the Investment Commission MOEA No. 09900252760 on July 2, 2010, No. 09900391710 on October 4, 2010, and No. 09900555440 on January 3, 2011.

MB Shanghai and MF Shanghai ceased its operation and liquidated on December 18, 2019, and October 30, 2019, respectively. The remaining assets of USD 315 thousand and USD 11 thousand have been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900249360 on October 12, 2020. In addition, MR sealed its operation and liquidated on July 27, 2020. The remaining assets of USD 74 thousand has been repatriated to Foodservice. This liquidation had been approved and verified by the Investment Commission MOEA No. 10900333970 on December 14, 2020.

8. The Company's investment type, amount and shareholding in Mainland China, please refer to appendix 10.

13.3 Information on major shareholders :

Unit: share

Shareholding Shareholder's Name	Shares	Percentage
Shang Lin Investment Co., Ltd.	189,017,944	20.48%
Shu Ren Investment Co., Ltd.	130,345,087	14.12%
Shang Hung Investment Co., Ltd.	60,765,706	6.58%
Shu Feng Investment Co., Ltd.	53,205,109	5.76%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialized form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept in trust by the shareholders, the data disclosed was the settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

14 Segment information

14.1 General information

The Company and its subsidiaries belong to a comprehensive service industry, providing a group of service including insurance, food & beverage, pharmaceutical and IT integration. The board of directors and the management committee lead business strategies, evaluate business performance and allocate resources based on the status of service divisions.

14.2 Measurement of segment information

The accounting policies of the operating segments are the same as the Company's accounting policies stated in Note 4 of this consolidated financial statement.

14.3 Information about segment profit or loss, assets and liabilities

The information on the segment departments of the company and its subsidiaries are as follows:

	2022								
	Life insurance	Retail	Food and beverage	Food	IT service	Pharmaceutical	Others	Adjustments	Total
Revenue from external customers	\$109,619,639	\$18,643,275	\$5,253,246	\$733,360	\$3,881,367	\$1,186,387	\$785,176	\$68,898,517	\$209,000,967
Inter-segment revenue	27,451	51,575	-	152,459	\$24,084	-	32,893	(288,462)	-
Total segment revenue	\$109,647,090	\$18,694,850	\$5,253,246	\$885,819	\$3,905,451	\$1,186,387	\$818,069	\$68,610,055	\$209,000,967
Inter-segment profit (loss)	\$(15,057,676)	\$302,659	\$275,974	\$74,014	\$280,680	\$387,820	\$3,234	\$-	\$(13,733,295)
Segment assets	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

Note: It's adjusted the losses on financial assets (liabilities) measured at fair value through profit or loss, realized losses on financial assets measured at fair value through other comprehensive income and the expected credit loss of MLI.

	2021								
	Life insurance	Retail	Food and beverage	Food	IT service	Pharmaceutical	Others	Adjustments	Total
Revenue from external customers	\$143,109,155	\$18,758,777	\$4,837,547	\$1,281,112	\$3,527,279	\$907,441	\$828,039	\$15,123,852	\$188,373,202
Inter-segment revenue	29,392	83,999	-	145,546	20,958	-	34,407	(314,302)	-
Total segment revenue	\$143,138,547	\$18,842,776	\$4,837,547	\$1,426,658	\$3,548,237	\$907,441	\$862,446	\$14,809,550	\$188,373,202
Inter-segment profit (loss)	\$(1,045,837)	\$380,420	\$278,290	\$574,813	\$180,020	\$65,506	\$213,003	\$-	\$646,215
Segment assets	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

Note: It's adjusted the losses on foreign exchange of MLI.

14.4 Reconciliation for segment profit (loss), assets and liabilities

The net profits or losses reported to the chief operating decision-makers are measured in a consistent manner with the income and expenses specified in the financial statement. The Company and its subsidiaries do not provide division information on the amounts of total assets and total liabilities to the operating decision-makers for relevant decision-making. Because there would be no difference between the statements provided to the operating decision-makers and the divisional financial statement.

14.5 Geographical information

The Company and its subsidiaries has no foreign operating segment.

14.6 Information of export sales: none

Appendix 1 Loans to others.

UNIT : NTD (In Thousands)

Number (Note 1)	Creditor	Borrower	Financial statement account (Note 2)	Related party	Maximum outstanding balance during the year ended December 31, 2022 (Note 3)	Balance at December 31, 2022 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transaction s with the borrower (Note 5)	Reason or short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)
													Item	Value		
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	Other receivables	Yes	\$5,000	-	-	-	2	-	Working capital	-	-	-	\$742,539 (Note 9)	\$742,539 (Note 9)
2	Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	Other receivables	Yes	\$30,000	\$30,000	-	-	2	-	Working capital	-	-	-	\$179,511 (Note 10)	\$718,043 (Note 10)

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2022.

Note 4: The column of 'Nature of loan' shall fill in "1" for 'Business transaction' or "2" for 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in the purpose when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

Note 8: The amounts of funds to be loaned to others which have been approved by the Board of Directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the Board of Directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Note 9: Subsidiary MA:

(1)The total aggregate amount shall not exceed 40% of subsidiary MA's net assets. However, the nature of the loan to the subsidiary which held 100% of the shares by the Company and subsidiary MA, the total aggregate amount cannot exceed 120% of net asset of MA.

(2)The nature of the loan is related to business transaction of MA. Amount of the loan cannot exceed the amount of business transactions. The "total amount of trading" refers to the material purchase or sales amount between the two companies, whichever is higher.

(3)Nature of the loan is related to financing necessity, total amount of loan cannot exceed 40% of net asset of MA

Note 10: Subsidiary SMR:

(1)The total aggregate amount shall not exceed 40% of subsidiary SMR's net assets.

(2)The nature of the loan is related to business transaction of SMR. Amount of the loan cannot exceed the amount of business transactions and the aggregate amount cannot exceed 20% of net asset of SMR. The "total amount of trading" refers to the material purchase or sales amount between the two companies, whichever is higher.

(3)Nature of the loan is related to financing necessity, total amount of loan cannot exceed 40% of net asset of SMR and the aggregate amount cannot exceed 20% of net asset of SMR.

Appendix 2 Provision of endorsements and guarantees to others.

UNIT : NTD (In Thousands)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31,2022	Actual Amount Drawn down	Amount of endorsement/ guarantees secured with collateral	Ratio of accumulate endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsement/ guarantees by parent company to subsidiary	Provision of endorsement/ guarantees by subsidiary to parent company	Provision of endorsement / guarantees to the party in Mainland China
		Company name	Relationship with the endorser/ guarantor (Note 1)										
0	Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	2	\$1,526,425	\$200,000	\$-	\$-	\$-	-	\$3,052,850	Y	N	N
0	Mercuries & Associates Holding, Ltd.	Mercuries Liquor & Food Co., Ltd.	2	1,526,425	50,000	50,000	-	-	0.49%	3,052,850	Y	N	N

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1)Business transaction.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5)Mutual guarantee as required by the construction contract.

(6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 2: Limit on provision of endorsements and guarantees to others granted to a single party cannot exceed 15% of the total net asset of the most recent financial statement.

Note 3: Total amount of provision of endorsements and guarantees to others cannot exceed 30% of total net asset of the most recent financial statement.

Appendix 3 Holding of marketable securities at the end of the period.

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	UNIT : NTD (In Thousands)/Thousand Shares As of December 31, 2022				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries & Associates Holding, Ltd.	Common Stock	First Financial Holding.	-	Financial assets at fair value through other comprehensive income-current	5	\$141	-	\$141	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Chiao-Fu Real Estate Management Corp.	-	Financial assets at fair value through other comprehensive income-non-current	100	18,966	2.00%	18,966	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Concord Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	3,124	10,631	3.12%	10,631	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Union Optronics Corp.	-	Financial assets at fair value through other comprehensive income-non-current	366	5,516	0.69%	5,516	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Advance Materials Corporation	-	Financial assets at fair value through other comprehensive income-non-current	2,093	15,907	1.78%	15,907	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Semiconductor Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	300	2,966	1.88%	2,966	NA
Mercuries & Associates Holding, Ltd.	Preferred Stock	Magicap Venture Capital Co., Ltd. Preferred Shares A	-	Financial assets at fair value through other comprehensive income-non-current	271	14,796	1.24%	14,796	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Powtec Electrochemical Corporation	-	Financial assets at fair value through other comprehensive income-non-current	13,630	-	0.96%	-	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Veego Corporation	-	Financial assets at fair value through other comprehensive income-non-current	400	-	2.22%	-	NA
Mercuries & Associates Holding, Ltd.	Corporate bonds	Mercuries Life Insurance Co., Ltd.	Investment accounted for under equity method	Financial assets measured at amortized cost-non-current	250	250,000	-	250,000	NA
Mercuries & Associates, Ltd.	Beneficiary certificates	Phi Fund, L.P.	-	Financial assets at fair value through profit or loss-non-current	-	33,226	-	33,226	NA
Mercuries & Associates, Ltd.	Common Stock	Energenesis Biomedical Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	354	14,006	0.53%	14,006	NA
Mercuries & Associates, Ltd.	Preferred Stock	Acepodia Inc.	-	Financial assets at fair value through other comprehensive income-non-current	403	14,612	0.83%	14,612	NA

Appendix 3 Holding of marketable securities at the end of the period.

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	UNIT : NTD (In Thousands)/Thousand Shares As of December 31, 2022				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries & Associates, Ltd.	Corporate bonds	Mercuries Life Insurance Co., Ltd.	Investment accounted for under equity method	Financial assets measured at amortized cost-non-current	60	60,000	-	60,000	NA
Mercuries Data Systems Ltd.	Preferred Stock	Taishin Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss-non-current	2,000	103,200	0.40%	103,200	NA
Mercuries Data Systems Ltd.	Common Stock	Shinewave Co. Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,072	16,813	10.00%	16,813	NA
Mercuries Data Systems Ltd.	Common Stock	Easycard Investment Holding Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,471	58,548	2.20%	58,548	NA
Mercuries Data Systems Ltd.	Common Stock	Easycard Corp	-	Financial assets at fair value through other comprehensive income-non-current	618	30,318	0.88%	30,318	NA
Mercuries Data Systems Ltd.	Common Stock	Veego Corporation	-	Financial assets at fair value through other comprehensive income-non-current	600	-	3.33%	-	NA
Mercuries Data Systems Ltd.	Common Stock	Shun Tak Holdings Limited	-	Financial assets at fair value through other comprehensive income-non-current	490	4,900	19.69%	4,900	NA
Mercuries Data Systems Ltd.	Common Stock	Piao Shi Jinghua	-	Financial assets at fair value through other comprehensive income-non-current	-	32,972	4.90%	32,972	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Energenesis Biomedical Co., Ltd	-	Financial assets at fair value through profit or loss-non-current	654	27,846	0.98%	27,846	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Concord Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	4,686	15,967	4.69%	15,967	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Sysjust Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	114	8,178	0.43%	8,178	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Mercuries & Associates Holding, Ltd.	Investment accounted for under equity method to the holding company	Financial assets at fair value through other comprehensive income-non-current	40,026	606,398	4.34%	606,398	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Powtec Electrochemical Corporation	-	Financial assets at fair value through other comprehensive income-non-current	4,697	-	0.33%	-	NA

Appendix 3 Holding of marketable securities at the end of the period.

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	UNIT : NTD (In Thousands)/Thousand Shares As of December 31, 2022				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Mercuries General Media, Inc.	Common Stock	Mercuries & Associates Holding, Ltd.	Investment accounted for under equity method to the holding company	Financial assets at fair value through other comprehensive income-non-current	2,943	44,583	0.32%	44,583	NA
Mercuries Harvest Co., Ltd.	Common Stock	Mercuries & Associates Holding, Ltd.	Investment accounted for under equity method to the holding company	Financial assets at fair value through other comprehensive income-non-current	5,685	86,130	0.61%	86,130	NA
SCI Pharmtech Inc.	Beneficiary certificates	Upamc James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	61	1,039	-	1,039	NA
SCI Pharmtech Inc.	Preferred Stock	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	Financial assets at fair value through profit or loss-current	743	42,054	-	42,054	NA
SCI Pharmtech Inc.	Preferred Stock	Cathay Financial Holding Co., Ltd. Preferred Stock B	-	Financial assets at fair value through profit or loss-current	0.023	1	-	1	NA
SCI Pharmtech Inc.	Common Stock	Cathay Financial Holdings	-	Financial assets at fair value through profit or loss-current	61	2,426	-	2,426	NA
SCI Pharmtech Inc.	Preferred Stock	Ctbc Financial Holding Co., Ltd. Preferred Stock B	-	Financial assets at fair value through profit or loss-current	528	31,311	-	31,311	NA
SCI Pharmtech Inc.	Preferred Stock	Shin Kong Financial Holdings Preferred Stock A	-	Financial assets at fair value through profit or loss-current	577	20,714	-	20,714	NA
SCI Pharmtech Inc.	Common Stock	Sunny Pharmtech Inc.	-	Financial assets at fair value through other comprehensive income-non-current	4,497	34,585	3.25%	34,585	NA
SCI Pharmtech Inc.	Common Stock	Energenesis Biomedical Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	1,603	32,138	2.40%	32,138	NA
Mercuries Furniture Co., Ltd.	Beneficiary certificates	Phi Fund, L.P.	-	Financial assets at fair value through profit or loss-non-current	-	22,150	-	22,150	NA

Appendix 4 Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital.

UNIT : NTD (In Thousands)/Thousand Shares

Name of company	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship with the Company	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Mercuries & Associates Holding, Ltd.	Mercuries Life Insurance Co., Ltd.	Investments accounted for under equity method	Mercuries Life Insurance Co., Ltd.	Investments accounted for under equity method	1,056,917	\$15,678,826 (NOTE 1)	444,147 (NOTE 2)	\$2,718,160 (NOTE 2)	—	\$—	\$8,557,697 (NOTE 3)	\$—	1,501,064	\$9,839,289 (NOTE 1)
Mercuries & Associates Holding, Ltd.	Fuh Hwa Securities Investment Trust Co.,Ltd.	Investments accounted for under equity method	Joray Co., Ltd. etc	Investments accounted for under equity method	1,971	121,419 (NOTE 1)	—	1,795 (NOTE 3)	1,971	344,855	123,214 (NOTE 3)	221,249 (NOTE 4)	—	—
Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	Investments accounted for under equity method	Mercuries Life Insurance Co., Ltd.	Investments accounted for under equity method	14,571	226,183 (NOTE 1)	47,701 (NOTE 2)	319,626 (NOTE 2)	—	—	107,601 (NOTE 3)	—	62,272	438,208 (NOTE 1)

Note 1 : Included adjustments for recognition of investments accounted for under equity method.

Note 2 : Cash capital increase in the current period.

Note 3 : Adjustments for recognition of investments accounted for under equity method in the current period.

Note 4 : Included adjustments the other equity of investments accounted for under equity method.

Appendix 5 Acquisition of individual real estate properties at costs of at least \$300 million or 20% of the paid-in capital.

Name of company	Name of Company	Transaction date	Transaction amount	Status of payment	Counterparty	Relationship with the Company	If the counterparty is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other agreed matters
							Owner	Relationship with the Company	Date of transfer	Amount			
SCI Pharmtech Inc.	Guany in factory	October, 2021	\$630,000	\$441,000	ECO Technical Services Co., Ltd.	None	-	-	-	-	Negotiation	Factory expansion	-
Mercuries F&B Co., Ltd.	Da Yuan Central Kitchen	October, 2020	535,000	336,094	Shengbaocun Construction Engineering Co., Ltd.	Other related parties	-	-	-	-	Negotiation	Factory expansion	-

Appendix 6 Disposal of individual real estate properties at price of at least \$300 million or 20% of the paid-in capital.

UNIT : NTD (In Thousands)/Thousand Shares

Name of Company	Name of property	Transaction date	Original date of acquisition	Book value	Transaction amount	Status of receipt	Gain or loss on disposal (Note)	Counterparty	Relationship with the Company	Purpose of disposal	Reference for the determining price	Other
Mercuries & Associates Holding, Ltd.	Tainan Building	November 28, 2022	78.12 85.5 88.3	\$480,205	\$520,798	Received in full	25,023 (Note 1)	Taishin Life Insurance Co., Ltd.	None	Activated assets	Evaluation according to appraisal report	Leaseback
Mercury Fu Bao Co., Ltd.	Tainan Building	November 28, 2022	85.1 87.9	414,763	453,202	Received in full	27,463 (Note 2)	Taishin Life Insurance Co., Ltd.	None	Activated assets	Evaluation according to appraisal report	Leaseback
Mercuries Life Insurance Co., Ltd.	Elitegroup Computer Building	July 28, 2022	102.12	6,940,920	8,350,000	Received in full	1,292,975	China Life Insurance Co., Ltd.	None	Activated assets	Evaluation according to appraisal report	None

Note 1: The company has disposed the Tainan building and signed the sale and leaseback contract, recognizing the loss on the rights transferred of the sale and leaseback of \$11,544 thousand and deferred disposal gain of \$17,794 thousand.

Note 2: The subsidiary MFB has disposed the Tainan building and signed the sale and leaseback contract, recognizing the loss on the rights transferred of the sale and leaseback of \$36,411 thousand and deferred disposal gain of \$6,941 thousand.

Appendix 7 Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more.

UNIT : NTD (In Thousands)

Name of Company	Counterparty	Relationship with the Company	Transaction				Differences in transaction terms compared to third party transactions		Notes/ accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit item	Unit price	Credit item	Balance	Percentage of total Notes/ accounts receivable (payable)	
Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Subsidiary	Purchases	\$110,903	27.96%	45 Days	—	—	(\$37,296)	46.26%	None

Appendix 8 The important transaction between parent company and subsidiaries.

Unit : Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Rental Income	\$1,525	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Other Income	1,300	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Other Receivable	24	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Guarantee deposits received	90	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Rental Income	20,656	According to general conditions	0.01%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Other Income	1,539	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Interest Income	8,250	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Notes receivable	1,448	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Other Receivable	2,554	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Rent in advanced	1,448	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Financial assets measured at amortized cost-non-current	250,000	According to general conditions	0.02%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Data Systems Ltd.	1	Other Income	2,460	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries F&B Co., Ltd.	1	Other Income	1,500	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercury Fu Bao Co., Ltd.	1	Other Income	5,830	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Simple Mart Retail Co., Ltd.	1	Other Income	2,500	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries General Media, Inc.	1	Other Income	596	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Insurance Agency Co. Ltd.	1	Other Income	263	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	SCI Pharmtech Inc.	1	Other Income	366	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	MERCURIES FOODSERVICE CO., LTD	1	Temporary Receipts	6,483	According to general conditions	0.00%

Appendix 8 The important transaction between parent company and subsidiaries.

Unit : Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
0	MERCURIES & ASSOCIATES HOLDING, LTD.	FAMILY SHOEMART CO., LTD	1	Temporary Receipts	10,081	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	TASTYNOODLE CO., LTD	1	Temporary Receipts	789	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Rental Income	2,025	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Service Revenue	1,800	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Accounts Receivable	158	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Other Receivable	15	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Guarantee deposits received	518	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Refundable deposits	390	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Other Receivable	613	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Accrued expenses payable	16	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Financial assets measured at amortized cost-non-current	60,000	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Other Expense	200	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	3	Interest Income	1,980	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Other Expense	326	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Accrued expenses payable	3,694	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Rental Income	3,898	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Service Revenue	3,600	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Accounts Receivable	315	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Other Receivable	31	According to general conditions	0.00%

Appendix 8 The important transaction between parent company and subsidiaries.

Unit : Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Guarantee deposits received	1,010	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Rental Income	8,138	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Service Revenue	2,400	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Other Expense	535	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Accounts Receivable	210	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Other Receivable	44	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Accrued expenses payable	455	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Guarantee deposits received	1,865	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Rental Income	23,035	According to general conditions	0.01%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Other Expense	22	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Other Receivable	511	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Guarantee deposits received	5,844	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Other Expense	146	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Service Revenue	1,240	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Accounts Receivable	86	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Other Receivable	13	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	3	Other Expense	968	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	FAMILY SHOEMART CO., LTD	3	Temporary Receipts	1,550	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Mercuries & Associates, Ltd.	3	Rental Income	1,567	According to general conditions	0.00%

Appendix 8 The important transaction between parent company and subsidiaries.

Unit : Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
2	Mercuries Life Insurance Co., Ltd.	Mercuries Data Systems Ltd.	3	Premium Income	3,873	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	SCI Pharmtech Inc.	3	Premium Income	4,504	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Rental Income	1,148	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Premium Income	4,042	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Mercuries F&B Co., Ltd.	3	Rental Income	12,316	According to general conditions	0.01%
2	Mercuries Life Insurance Co., Ltd.	Mercuries F&B Co., Ltd.	3	Guarantee deposits received	2,400	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd.	3	Sales revenue	17,503	According to general conditions	0.01%
3	Mercuries Data Systems Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Sales revenue	2,154	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Simple Mart Retail Co., Ltd.	3	Sales revenue	3,341	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Simple Mart Retail Co., Ltd.	3	Accounts Receivable	3,715	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Mercuries F&B Co., Ltd.	3	Sales revenue	1,086	According to general conditions	0.00%
4	Mercuries F&B Co., Ltd.	MERCURIES FOODSERVICE CO., LTD	3	Temporary Receipts	11,716	According to general conditions	0.00%
5	Mercury Fu Bao Co., Ltd.	Mercuries Furniture Co., Ltd.	3	Rental Income	1,829	According to general conditions	0.00%
5	Mercury Fu Bao Co., Ltd.	Mercuries Life Insurance Co., Ltd.	3	Rental Income	13,109	According to general conditions	0.01%
5	Mercury Fu Bao Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Sales revenue	8,723	According to general conditions	0.00%
5	Mercury Fu Bao Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Other Expense	3,459	According to general conditions	0.00%
5	Mercury Fu Bao Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Accounts Receivable	1,093	According to general conditions	0.00%
5	Mercury Fu Bao Co., Ltd.	MERCURIES FOODSERVICE CO., LTD	3	Temporary Receipts	1,952	According to general conditions	0.00%
6	M. T. I. Cigars Co., Ltd.	MERCURIES FOODSERVICE CO., LTD	3	Temporary Receipts	5,463	According to general conditions	0.00%

Appendix 8 The important transaction between parent company and subsidiaries.

Unit : Thousand

NO. (Note1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	The situation of transaction			
				Financial Statement item	Amount (Note 4)	Trading terms	Percentage of consolidated total operating revenue or total assets (Note 3)
7	Mercuries Liquor & Food Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Sales revenue	12,901	According to general conditions	0.01%
7	Mercuries Liquor & Food Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Accounts Receivable	1,926	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries F&B Co., Ltd.	3	Sales revenue	4,437	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries F&B Co., Ltd.	3	advertising	2,389	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries F&B Co., Ltd.	3	Accounts Receivable	884	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	Purchases	110,903	According to general conditions	0.05%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	advertising	557	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	Accounts Payble	38,738	According to general conditions	0.00%

Note 1 : The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- 1.Parent company is '0'.
- 2.The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the Company and counterparty is classified into the following three categories:

- 1.Parent company to subsidiary
- 2.Subsidiary to parent company
- 3.Subsidiary to subsidiary

Note 3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4 : It has been eliminated upon preparing the consolidated financial statements.

Appendix 9 Information on investees.

UNIT : NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by parent company for the year ended December 31, 2022 (Notes 1)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	\$8,302,799	\$5,584,639	1,501,064	36.62%	\$9,839,289	(\$13,658,802)	(\$5,228,674)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries & Associates, Ltd.	Taipei	Domestic and international well-known brands of footwear, apparel and related accessories	250,000	250,000	40,000	100.00%	572,388	52,080	51,254	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Data Systems Ltd.	Taipei	Purchasing, sale, processing, and installation of computer equipment	612,844	612,844	98,505	53.44%	1,281,227	192,051	102,640	Subsidiary
Mercuries & Associates Holding, Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	614,293	614,293	30,283	31.75%	1,256,559	308,780	98,036	Subsidiary
Mercuries & Associates Holding, Ltd.	Simple Mart Retail Co., Ltd.	Taipei	Retail	367,393	367,393	41,019	60.77%	1,091,827	55,294	35,755	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercury Fu Bao Co., Ltd.	Taipei	Liquor, cigar, and cigarette trading and agency	14,164	14,164	236,260	100.00%	2,201,771	(305,139)	(344,769)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries General Media, Inc.	Taipei	Agency for import production of video tapes, etc.	30,237	30,237	4,200	86.96%	76,711	12,375	8,228	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Harvest Co., Ltd.	Taipei	Lease and sales of machinery equipment	90,478	90,478	9,000	100.00%	102,578	5,714	85	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries F&B Co., Ltd.	Taipei	Beef noodles and pizza restaurant chain stores	514,500	514,500	56,569	93.63%	957,748	153,907	140,157	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	485,203	485,203	44,895	63.14%	458,448	14,851	9,378	Subsidiary
Mercuries & Associates Holding, Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	19,734	19,734	17	8.61%	521	(156)	(13)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Furniture Co., Ltd.	Taipei	Furniture retail and decoration	626,210	626,210	13,000	100.00%	(78,520)	(48,968)	(51,864)	Subsidiary

Appendix 9 Information on investees.

UNIT : NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by parent company for the year ended December 31, 2022 (Notes 1)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	M. T. I. Cigars Co., Ltd.	Taipei	Liquor, cigar, and cigarette trading and agency	750,000	750,000	3,209	100.00%	27,546	(114)	(114)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Liquor & Food Co., Ltd.	Taipei	Sales of tobacco and liquor, beverage and food	180,300	180,300	10,500	100.00%	84,957	10,682	10,682	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Insurance Agency Co., Ltd.	Taipei	Insurance agency	3,000	3,000	500	100.00%	41,196	17,517	17,517	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	148,380	148,380	-	25.31%	6,794	-	-	Subsidiary
Mercuries & Associates Holding, Ltd.	Tastynoodle Co., Ltd.	Samoa	Investment	147,913	147,913	-	100.00%	822	-	-	Subsidiary
Mercuries & Associates Holding, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	192,057	192,057	-	86.67%	10,713	-	-	Subsidiary
Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	450,996	506,220	49,000	49.00%	63,036	(25,189)	(12,795)	Subsidiary
Mercuries & Associates Holding, Ltd.	Framosa Co., Ltd.	Taipei	Circular economy by purifying and utilizing used solvents	86,250	—	8,625	15.00%	76,130	(33,584)	(1,050)	Associate
Mercuries & Associates Holding, Ltd.	Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	—	86,800	-	-	-	842,349	1,795	Associate
Mercuries Data Systems Ltd.	Mercuries Data Systems International Ltd.	British Virgin Islands	Investment	738,652	738,652	-	100.00%	205,759	(10,738)	(10,738)	Subsidiary
Mercuries Data Systems Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	114,435	114,435	146	72.80%	7,145	(156)	(114)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Information Systems International Co., Ltd.	Taipei	Software and data processing services	3,000	3,000	300	100.00%	1,148	(141)	(141)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	101,667	59,736	14,100	0.34%	99,223	(13,658,802)	(32,798)	Subsidiary

Appendix 9 Information on investees.

UNIT : NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by parent company for the year ended December 31, 2022 (Notes 1)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries Data Systems Ltd.	Digicentre Company Limited.	Taipei	Software services	150,000	150,000	6,864	28.92%	179,137	44,520	12,876	Associate
Mercuries Data Systems International Ltd.	Core Info Tech Limited (Hong Kong)	Hong Kong	Investment	715,423	715,423	-	100.00%	206,653	(10,743)	(10,743)	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	20,000	20,000	2,000	2.81%	20,423	14,851	418	Subsidiary
Mercuries & Associates, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	29,995	29,995	-	13.33%	1,648	-	-	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	435,579	115,952	62,272	1.52%	438,208	(13,658,802)	(151,456)	Subsidiary
Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	Taipei	Retail	4,347	4,347	63	0.09%	1,677	55,294	55	Subsidiary
Mercuries & Associates, Ltd.	Sanor Co., Ltd.	Taipei	Agency for shoes	80,000	80,000	8,000	50.00%	95,662	28,214	14,107	Joint Venture
Mercuries & Associates, Ltd.	TriHealth Enterprise Co., Ltd.	Taipei	Medicine circulation	70,000	70,000	3,248	21.21%	50,168	(2,156)	(890)	Associate
Mercuries & Associates, Ltd.	HoneyBear Biosciences, Inc.	New Taipei	Biotechnology services	10,000	—	1,000	4.06%	9,607	(9,559)	(394)	Associate
Mercury Fu Bao Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	597,385	356,117	105,335	2.57%	760,988	(13,658,802)	(379,623)	Subsidiary
Mercury Fu Bao Co., Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	118,791	118,791	2,317	2.43%	160,285	308,780	7,501	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	75,262	75,262	3,718	5.23%	37,966	14,851	777	Subsidiary
Mercury Fu Bao Co., Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	8,840	8,840	10	5.17%	507	(156)	(8)	Subsidiary

Appendix 9 Information on investees.

UNIT : NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by parent company for the year ended December 31, 2022 (Notes 1)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value (Note2)			
Mercury Fu Bao Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	49,303	49,303	-	7.62%	2,046	-	-	Subsidiary
Mercury Fu Bao Co., Ltd.	Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Securities investment trust	991	14,429	22	0.04%	1,359	842,349	486	Associate
Mercury Fu Bao Co., Ltd.	Horizon Securities Co., Ltd.	Taipei	Integrated securities houses	135,631	135,631	21,503	6.12%	277,570	(220,184)	(13,479)	Associate
Mercuries Harvest Co., Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	7,000	7,000	687	0.97%	7,236	14,851	143	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	144,691	144,691	14,571	0.35%	102,536	(13,658,802)	(64,304)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	70,000	70,000	6,749	9.49%	68,914	14,851	1,410	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	275,896	275,896	-	45.74%	12,275	-	-	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries F&B Consulting Co., Ltd.	Taipei	Catering retail and management	49,100	29,100	4,910	98.20%	23,354	(9,546)	(9,282)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Food Service Japan Ltd	Japan	Catering retail	27,013	27,013	10	100.00%	4,700	(10,090)	(10,090)	Subsidiary
SCI Pharmtech Inc.	Yushan Pharmaceuticals, Inc.	Taoyuan City Luzhu Dist	The research and development , manufacture and sale of API	351,900	351,900	35,190	100.00%	349,354	860	860	Subsidiary
SCI Pharmtech Inc.	Framosa Co., Ltd.	Taipei	Circular economy by purifying and utilizing used solvents	143,750	66,000	14,375	25.00%	126,883	(33,584)	(12,102)	Associate
Yushang Pharmaceuticals, Inc.	HoneyBear Biosciences, Inc.	New Taipei	Biotechnology services	15,000	—	1,500	6.09%	14,434	(9,559)	(461)	Associate

Appendix 9 Information on investees.

UNIT : NTD (In Thousands)/Foreign Currency(In Thousands)/Thousand Shares

Investor	Investees	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by parent company for the year ended December 31, 2022 (Notes 1)	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value (Note2)			
M. T. I. CIGARS CO., LTD.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	134,428	134,428	-	21.33%	5,724	-	-	Subsidiary
Mercuries Furniture Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	143,635	143,635	11,795	0.29%	83,001	(13,658,802)	(51,260)	Subsidiary
Mercuries Liquor & Food Co., Ltd.	Shang Rih Ltd.	Taipei	Retail	6,000	6,000	600	100.00%	7,497	817	817	Subsidiary
Simple Mart Retail Co., Ltd.	Simple Mart Plus Co., Ltd.	Taipei	Catering retail	60,000	60,000	6,000	100.00%	41,052	(139)	(139)	Subsidiary
Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	64,879	55,980	51,000	51.00%	66,031	(25,189)	(15,861)	Subsidiary
Simple Mart Retail Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	5,742	—	1,050	0.03%	7,389	(13,658,802)	(583)	Subsidiary
Shang Rih Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Japan	Sales of liquor, beverage and food	4,116	4,116	-	100.00%	7,144	996	996	Subsidiary
Mercuries Life Insurance Co., Ltd.	Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Investment consulting and asset management	825,352	825,352	18,426	30.71%	1,454,144	842,349	258,680	Associate
Mercuries Life Insurance Co., Ltd.	Horizon Securities Co., Ltd.	Taipei	Integrated securities houses	65,139	65,139	7,510	2.14%	96,943	(220,184)	(4,708)	Associate
Mercuries Life Insurance Co., Ltd.	CMG International One Co., Ltd.	Taipei	Residence and buildings lease construction and development	1,575,000	675,000	157,500	45.00%	1,555,961	(30,347)	(13,656)	Associate
Mercuries Life Insurance Co., Ltd.	CMG International Two Co., Ltd.	Taipei	Residence and buildings lease construction and development	1,800,000	675,000	180,000	45.00%	1,770,923	(40,995)	(18,448)	Associate
Mercuries Life Insurance Co., Ltd.	NFC II Renewable Power Co., Ltd.	Taipei	Investment, operation and management of solar power plants	315,000	157,500	31,500	21.00%	311,116	(16,323)	(3,428)	Associate

Note 1: Including the current amortization of unrealized gains and losses and the difference between the investment cost and the equity net value the current amortization.

Note 2: Including rent for related-party of the fair value adjustment of investment property.

Appendix 10 Information on investments in Mainland China:

UNIT : NTD (In Thousands) / Foreign Currency(In Thousands)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2022(Note 2)	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
Nanjing Sanshang computer software development Co., Ltd.	Computer software, information software development, production, sales, self-produced product management and related technical consulting services	US\$21 million	(2)	668,244	-	-	668,244	(10,756)	100.00%	(10,756) (2)B	202,667	-
Nanjing Dingshang digital technology Co., Ltd. (Nont7)	Engineering design and construction of software development, electronic technology research and development, technology transfer service, communication, network, electromechanical, transportation, etc.	RMB4 million	(3)	-	-	-	-	(2,757)	42.00%	(1,158) (2)C	-	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
\$701,719 (Note4)	(1)Beijing Mercury Computer Information System Equipment Co., Ltd. invested USD\$1,000,000. (2)Nanjing Dingshang Digital Technology Co., Ltd. invested USD\$19,818,822.	\$1,460,051
\$4,624 (Note5)	Freotech Intelligent Systems Co., Ltd invested USD\$159,988.	\$375,463
\$222(Note6)	Airoha Technology(Suzhou)Corp.	\$4,193

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1)Directly invest in a company in Mainland China.
- (2)Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3)Others.

Note 2: In the 'Investment income (loss) recognized by the parent company for the year ended December 31, 2022' column:

- (1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's auditors.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Including Beijing Sanshang Computer Information System Equipment Co., Ltd., which has been liquidated and deregistered, but has not yet applied to the Investment Review Committee of the Ministry of Economic Affairs to cancel the investment quota, the investment of USD 1,000,000 has been approved by the Investment Review Committee of the Ministry of Economic Affairs. The liquidation was completed on February 5, 2001.

Note 5: Subsidiaries MA and MF reinvested in Freotech Intelligent Technology Co., Ltd. through PHI FUND, L.P. Shareholding ratio is 0.0372%.

Note 6: Subsidiary MF reinvested in Dafa Technology (Suzhou) Co., Ltd. through PHI FUND, L.P. Shareholding ratio is 0.06578%.

Note 7: Nanjing Dingshang Digital Technology Co., Ltd. has liquidated on August 22, 2022.