

MERCURIES & ASSOCIATES HOLDING, LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 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 15, 2024

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, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by 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, 2023. 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 4.29 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 6.23 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. 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 methods used for fair value of each category, as well as evaluating whether the fair value hierarchy is appropriate and verifying the fair value of financial assets based on available information.

The completeness and accuracy of retail sales revenue

Description:

Please refer to Note 4.34 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 12.13 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 \$17,059,644 thousand and \$14,900,545 thousand, constituting 1.10% and 1.00% of the total consolidated assets as of December 31, 2023 and 2022 respectively, and total comprehensive income were \$752,984 thousand and \$658,269 thousand, constituting 10.26% and (3.27)% of total consolidated comprehensive income for the years ended December 31, 2023 and 2022, respectively. As described in Note 6.11, 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 \$4,469,405 thousand and \$5,924,375 thousand, constituted 0.29% and 0.40% of the total consolidated asset as of December 31, 2023 and 2022, respectively, and the recognized shares of profit of associates and joint ventures accounted for under equity method of these investee companies were \$38,071 thousand and \$204,063 thousand, constituted (0.32)% and (1.49)% of the consolidated profit before income tax for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by 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

March 15, 2024

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, 2023 and 2022

UNIT : NTD (In Thousands)

Assets	Notes	December 31, 2023	%	December 31, 2022	%	Liabilities & Equity	Notes	December 31, 2023	%	December 31, 2022	%
Current assets						Current liabilities					
Cash and cash equivalents	6.1	\$64,773,024	4.17	\$50,249,445	3.38	Short-term borrowings	6.16	\$1,335,000	0.09	\$1,397,000	0.09
Financial assets at fair value through profit or loss - current	6.2	88,998	0.01	108,705	0.01	Short-term notes and bills payable	6.17	569,990	0.04	779,930	0.05
Financial assets at fair value through other comprehensive income - current		150	-	141	-	Financial liabilities at fair value through profit or loss - current		68,861	-	-	-
Financial assets at amortized cost - current		12,323	-	17,673	-	Contract liabilities - current		930,872	0.06	942,198	0.06
Contract assets - current		310,696	0.02	342,028	0.02	Accounts payable	6.18	8,392,213	0.54	6,664,901	0.45
Accounts receivable, net	6.3	12,468,269	0.80	11,020,414	0.74	Commissions payable		815,297	0.05	799,455	0.05
Current income tax assets		1,026,333	0.07	743,391	0.05	Claims and benefits payable		687,160	0.04	694,034	0.05
Inventories	6.4	5,597,064	0.36	5,474,454	0.37	Due to reinsurers and ceding companies		1,698,147	0.11	1,558,138	0.10
Prepayments		1,247,915	0.08	1,080,600	0.07	Current income tax liabilities		132,985	0.01	148,675	0.01
Non-current assets held for sale	6.5	1,767,584	0.11	-	-	Advanced receipts		66,900	-	98,037	0.01
Reinsurance contract assets, net	6.6	2,550,530	0.16	2,204,688	0.15	Long-term liabilities - current portion	6.20,6.21	1,963,453	0.13	14,678	-
Other current assets		158,030	0.01	188,731	0.01	Lease liabilities - current	6.13	1,334,861	0.09	1,208,545	0.09
Bills discounted and loans, net	6.7	67,896,478	4.38	69,256,217	4.67	Liabilities directly associated with non-current assets held for sale	6.5	106,886	0.01	-	-
Sub-total		<u>157,897,394</u>	<u>10.17</u>	<u>140,686,487</u>	<u>9.47</u>	Other current liabilities		174,953	0.01	222,307	0.02
						Sub-total		<u>18,277,578</u>	<u>1.18</u>	<u>14,527,898</u>	<u>0.98</u>
						Non-current liabilities					
						Financial liabilities at fair value through profit or loss - non-current	6.19	78,296	0.01	3,424,218	0.23
						Contract liabilities - non-current		112,415	0.01	8,196	-
						Bonds payable	6.20	8,886,399	0.57	10,356,454	0.70
						Long-term borrowings	6.21	6,468,095	0.42	9,021,392	0.61
						Other long-term liabilities		6,838	-	4,108	-
						Provisions - non-current	6.22	1,273,534,242	82.03	1,259,104,135	84.74
						Separate account liabilities for unit-linked products	6.15	177,007,560	11.40	143,001,896	9.62
Non-current assets						Guarantee deposits received		5,551,302	0.36	2,537,719	0.17
Financial assets at fair value through profit or loss - non-current	6.8	115,865,598	7.46	79,201,415	5.33	Lease liabilities - non-current	6.13	3,262,500	0.21	3,018,301	0.20
Financial assets at fair value through other comprehensive income - non-current	6.9	3,789,237	0.24	44,507,311	3.00	Deferred tax liabilities	6.35	9,811,860	0.63	7,559,016	0.51
Financial assets at amortized cost - non-current	6.10	1,013,469,832	65.28	1,000,833,858	67.36	Other non-current liabilities		1,210,597	0.07	1,610,788	0.10
Investments accounted for under equity method	6.11	4,574,931	0.29	6,020,037	0.41	Sub-total		<u>1,485,930,104</u>	<u>95.71</u>	<u>1,439,646,223</u>	<u>96.88</u>
Property, plant and equipment	6.12	19,611,138	1.26	18,810,716	1.27	Total Liabilities		<u>1,504,207,682</u>	<u>96.89</u>	<u>1,454,174,121</u>	<u>97.86</u>
Right-of-use assets	6.13	4,474,808	0.29	4,109,008	0.28	Equity attributable to owners of the parent					
Investment property, net	6.14	20,090,454	1.29	21,697,576	1.46	Share Capital	6.28				
Intangible assets		267,031	0.02	260,249	0.02	Common stock		11,224,957	0.72	9,224,957	0.62
Deferred tax assets	6.35	20,819,886	1.34	16,054,191	1.07	Capital surplus	6.29	4,730,938	0.30	2,749,366	0.19
Other non-current assets	6.15	191,658,844	12.36	153,662,973	10.33	Retained earnings	6.30				
Sub-total		<u>1,394,621,759</u>	<u>89.83</u>	<u>1,345,157,334</u>	<u>90.53</u>	Legal reserve		2,753,775	0.18	2,753,775	0.19
						Special reserve		5,990,502	0.39	5,990,502	0.40
						Unappropriated earnings		(5,665,734)	(0.36)	(2,534,742)	(0.17)
						(Accumulated deficit)					
						Other equity	6.32	(1,542,701)	(0.10)	(7,519,412)	(0.51)
						Treasury stock	6.31	(592,930)	(0.04)	(488,279)	(0.03)
						Total equity attributable to owners of the parent		<u>16,898,807</u>	<u>1.09</u>	<u>10,176,167</u>	<u>0.69</u>
						Non-controlling interests	6.33	31,412,664	2.02	21,493,533	1.45
						Total Equity		<u>48,311,471</u>	<u>3.11</u>	<u>31,669,700</u>	<u>2.14</u>
Total assets		<u>\$1,552,519,153</u>	<u>100.00</u>	<u>\$1,485,843,821</u>	<u>100.00</u>	Total Liabilities and Equity		<u>\$1,552,519,153</u>	<u>100.00</u>	<u>\$1,485,843,821</u>	<u>100.00</u>

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, 2023 and 2022

UNIT : NTD (In Thousands)

Item	Notes	2023	%	2022	%
Operating revenue					
Interest income		\$36,695,276	22.06	\$34,804,381	16.65
Premiums income	6.26	73,980,225	44.48	79,854,971	38.21
Commission on reinsurance ceded		98,394	0.06	44,631	0.02
Fee income		2,968,302	1.78	2,564,506	1.23
Share of profit of associates and joint ventures accounted for under equity method	6.11	60,631	0.04	218,170	0.10
Separate account revenue for unit-linked products	6.15	15,533,843	9.34	519,967	0.25
Realized gains on financial assets measured at fair value through other comprehensive income		13,645	0.01	-	-
Gain arising from derecognition of financial assets measured at amortized cost		-	-	2,026,181	0.97
Net sales revenue					
Sales revenue		29,686,411	17.85	28,482,918	13.63
Sales returns		(44,743)	(0.03)	(28,602)	(0.01)
Sales discounts and allowances		(9,585)	(0.01)	(4,530)	-
Rental income		378,369	0.23	379,834	0.18
Service revenue		636,368	0.38	594,192	0.28
Gain on disposal of investments		1,263,649	0.76	254,776	0.12
Gain on investment property		396,187	0.24	1,820,218	0.87
Reserve for fluctuation of foreign exchange movement	6.23	4,111,104	2.47	(6,969,055)	(3.33)
Profit reclassified by applying overlay approach	6.8	-	-	3,221,236	1.54
Gain on reversal of expected credit impairment loss		77,392	0.05	-	-
Gain on foreign exchange		-	-	60,511,196	28.95
Other income		455,284	0.29	705,977	0.34
Total operating revenue		166,300,752	100.00	209,000,967	100.00
Operating cost					
Interest expenses		(251,546)	(0.15)	(149,100)	(0.07)
Underwriting expenses		(30,878)	(0.02)	(30,728)	(0.01)
Commission expenses		(5,792,483)	(3.48)	(5,639,225)	(2.70)
Insurance claims and benefits	6.27	(92,002,406)	(55.32)	(90,985,803)	(43.53)
Other insurance liabilities movement		(17,542,088)	(10.55)	(22,550,576)	(10.79)
Separate account expenses for unit-linked products	6.15	(15,533,843)	(9.34)	(519,967)	(0.25)
Loss on financial assets (liabilities) measured at fair value through profit or loss		(984,892)	(0.59)	(67,875,521)	(32.48)
Realized losses on financial assets measured at fair value through other comprehensive income		-	-	(283,405)	(0.14)
Loss arising from derecognition of financial assets measured at amortized cost		(322,931)	(0.19)	-	-
Cost of goods sold		(20,708,997)	(12.45)	(20,163,000)	(9.65)
Service cost		(12,855)	(0.01)	(12,856)	(0.01)
Operating expenses					
Selling expense		(6,289,601)	(3.78)	(5,937,541)	(2.84)
General and administrative expenses		(7,058,972)	(4.24)	(6,958,141)	(3.33)
Research and development expenses		(295,601)	(0.18)	(251,830)	(0.12)
Loss on disposal of property, plant and equipment		(8,030)	-	(21,291)	(0.01)
Loss reclassified by applying overlay approach	6.8	(10,512,215)	(6.32)	-	-
Loss on impairment losses		(847)	-	(2,023)	-
Loss on expected credit impairment loss		-	-	(798,904)	(0.38)
Loss on foreign exchange		(83,237)	(0.05)	-	-
Other expense		(614,002)	(0.39)	(554,351)	(0.26)
Total operating cost		(178,045,424)	(107.06)	(222,734,262)	(106.57)
Profit (loss) before income tax from continuing operations		(11,744,672)	(7.06)	(13,733,295)	(6.57)
Income tax (expenses) benefits	6.35	3,227,491	1.94	1,142,229	0.55
Net profit (loss) from continuing operations		(8,517,181)	(5.12)	(12,591,066)	(6.02)
Net profit (loss)		(8,517,181)	(5.12)	(12,591,066)	(6.02)
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		30,964	0.02	(10,527)	(0.01)
Revaluation surplus on property		9,182	0.01	1,207,998	0.58
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		382,912	0.23	(392,716)	(0.19)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method		(78,607)	(0.05)	(121,252)	(0.06)
Income tax relating to components	6.35	3,549	-	(90,257)	(0.04)
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations		(8,690)	(0.01)	21,032	0.01
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income		6,162,000	3.71	(5,605,545)	(2.68)
Other comprehensive income (loss) on reclassification under the overlay approach	6.8	10,512,215	6.32	(3,221,236)	(1.54)
Income tax relating to components	6.35	(1,154,185)	(0.69)	670,128	0.32
Other comprehensive income (loss)		15,859,340	9.54	(7,542,375)	(3.61)
Total comprehensive income (loss)		7,342,159	4.42	(20,133,441)	(9.63)
Profit (loss) attributable to:					
Shareholders of the parent		(2,874,182)	(1.73)	(5,089,794)	(2.43)
Non-controlling interests		(5,642,999)	(3.39)	(7,501,272)	(3.59)
Total		(8,517,181)	(5.12)	(12,591,066)	(6.02)
Comprehensive income (loss) attributable to:					
Shareholders of the parent		3,075,864	1.85	(8,348,400)	(3.99)
Non-controlling interests		4,266,295	2.57	(11,785,041)	(5.64)
Total		\$7,342,159	4.42	\$(20,133,441)	(9.63)
Earnings per share					
Income (loss) from continuing operations, net of income tax		\$(3.09)		\$(5.82)	
Basic earnings (loss) per share (in dollars)	6.36	\$(3.09)		\$(5.82)	
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		\$(2,874,182)		\$(5,042,001)	
Earnings per share		\$(2.93)		\$(5.47)	

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, 2023 and 2022

UNIT : NTD (In Thousands)

Summary	Equity Attributable to Shareholders of the Parent											Treasury Stock	SubTotal	Non-Controlling Interest	Total
	Share Capital		Capital Surplus	Retained Earnings			Other Equity Interests								
	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, 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 January 1, 2023	\$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
Appropriation earnings 2022															
Adjustments on liquidation of investee	-	-	(346)	-	-	-	-	-	-	-	-	-	(346)	-	(346)
Effects of changes in ownership interest from investee	-	-	170,450	-	-	(168,564)	-	-	-	-	-	-	1,886	-	1,886
Changes in unappropriated retained earnings of investees	-	-	-	-	-	(61,581)	-	-	-	-	-	-	(61,581)	-	(61,581)
Changes in capital surplus of investees	-	-	25,665	-	-	-	-	-	-	-	-	-	25,665	-	25,665
Net profit (loss)	-	-	-	-	-	(2,874,182)	-	-	-	-	-	-	(2,874,182)	(5,642,999)	(8,517,181)
Other comprehensive income (loss)	-	-	-	-	-	(78,607)	(3,668)	2,214,257	7,442	3,810,622	-	-	5,950,046	9,909,294	15,859,340
Issuance of common stock for cash	2,000,000	-	500,000	-	-	-	-	-	-	-	-	-	2,500,000	-	2,500,000
Changes in common stock of the Company held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(104,651)	(104,651)	-	(104,651)
Differences of acquisition or disposal price and book value of subsidiaries	-	-	1,251,803	-	-	-	-	-	-	-	-	-	1,251,803	-	1,251,803
Compensation cost of employee stock option	-	-	34,000	-	-	-	-	-	-	-	-	-	34,000	-	34,000
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	5,652,836	5,652,836
Disposal of investments in equity instruments at fair value through other comprehensive income from investees	-	-	-	-	-	41,535	-	(41,535)	-	-	-	-	-	-	-
Disposal of revaluation Reserve of Properties from investees	-	-	-	-	-	10,407	-	-	(10,407)	-	-	-	-	-	-
Balance on December 31, 2023	\$11,224,957	\$0	\$4,730,938	\$2,753,775	\$5,990,502	\$(5,665,734)	\$(13,780)	\$(401,632)	\$426,631	\$(1,553,920)	\$0	\$(592,930)	\$16,898,807	\$31,412,664	\$48,311,471

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, 2023 and 2022

Items	UNIT : NTD (In Thousands)	
	2023	2022
Cash flows from operating activities		
Profit (loss) before income tax from continuing operations	(\$11,744,672)	(\$13,733,295)
Adjustments for		
Income and expenses having no effect on cash flows		
Depreciation	2,421,985	2,361,032
Amortization	133,218	119,369
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	967,632	67,862,019
Net gain on financial assets or liabilities at fair value through other comprehensive income	(20,382)	271,031
Interest expense	643,508	537,007
Net gain arising from derecognition of financial assets measured at amortized cost	322,931	(2,026,181)
Interest income	(36,695,276)	(34,804,381)
Net change in insurance liabilities	17,868,122	22,839,386
Net change in reserve for fluctuation of foreign exchange movement	(4,111,104)	6,969,055
Reversal of expected credit impairment losses on investments	(84,880)	792,353
Expected credit impairment losses (gains) on non-investments	8,335	8,500
Share-based payments	60,500	141,300
Share of profit of associates and joint ventures accounted for under equity method	(60,631)	(218,170)
(Profit) loss reclassified by applying overlay approach	10,512,215	(3,221,236)
Loss on disposal of property, plant and equipment	8,423	(149,298)
Gain on disposal of investment property	(2,608)	(1,292,975)
Gain on disposal of investments accounted for under equity method	(1,256,375)	-
Gain on rights transferred of the sale and leaseback	-	47,965
Rent revenue of leaseback	(33,309)	(1,522)
Loss on unrealized foreign exchange	(1,690,837)	(85,481,172)
Gain on fair value adjustment of investment property	(60,404)	(59,792)
Net cash generated from Income and expenses having no effect on cash flows	(11,068,937)	(25,305,710)
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	(44,929,727)	(83,390,141)
(Increase) decrease in accounts receivable	(1,548,147)	3,009,469
(Increase) decrease in inventories	(122,611)	(934,834)
(Increase) decrease in prepayments	(377,910)	(352,777)
(Increase) decrease in contract assets	31,332	167,726
(Increase) decrease in other current assets	30,701	(19,960)
(Increase) decrease in reinsurance contract assets	(106,231)	(333,722)
(Increase) decrease in other assets	(200,597)	(457,907)
Net cash generated from changes in assets related to operating activities	(47,223,190)	(82,312,146)
Changes in liabilities related to operating activities:		
Increase (decrease) in accounts payable	1,850,031	(1,382,347)
Increase (decrease) in provisions	(264,466)	(183,333)
Increase (decrease) in contract liabilities	92,892	159,266
Increase (decrease) in other liabilities	(312,069)	(140,627)
Others	612,011	24,975,979
Net cash generated from changes in liabilities related to operating activities	1,978,399	23,428,938
Net cash generated from changes in assets and liabilities related to operating activities	(45,244,791)	(58,883,208)
Total adjustments	(56,313,728)	(84,188,918)
Cash inflow generated from operations		
Interest received	27,662,417	31,227,408
Dividends received	3,726,050	3,648,019
Interest paid	(602,070)	(576,399)
Income taxes paid	(662,926)	(786,768)
Net cash flows generated from (used in) operating activities	(37,934,929)	(64,409,953)
Cash flows from (used in) investing activities		
Decrease in loans	1,392,986	1,248,753
Acquisition of financial assets at fair value through profit or loss	(13,824)	(31,111)
Proceeds from disposal of financial assets at fair value through profit or loss	6,675	266,421
Acquisition of financial assets at fair value through other comprehensive income	(18,981)	(13,837,870)
Proceeds from disposal of financial assets at fair value through other comprehensive income	178,573	9,513,393
Remittance of cash due to capital reduction of financial assets at fair value through other comprehensive income	215,702	27,978
Acquisition of financial assets at amortized cost	(2,913,921)	(54,402,954)
Proceeds from disposal of financial assets at amortized cost	32,056,374	23,651,659
Proceeds from repayments of financial assets at amortized cost	12,274,881	35,175,278
Acquisition of investment accounted for under equity method	(18,000)	(2,371,500)
Disposal of investments accounted under the equity method	2,755,553	397,198
Acquisition of subsidiary	-	1,023
Acquisition of property, plant and equipment	(1,856,393)	(2,889,033)
Proceeds from disposal of property, plant and equipment	1,740	1,190,830
Decrease (increase) in guarantee deposits	198,651	806,935
Acquisition of intangible assets	(134,940)	(164,258)
Acquisition of investment property	(6,084)	(8,537)
Proceeds from disposal of investment property	45,612	8,281,337
Net cash flows generated from (used in) investing activities	44,164,604	6,855,542
Cash flows from (used in) financing activities		
Increase (decrease) in short-term borrowings	(62,000)	807,000
Increase (decrease) in short-term notes and bills payable	(209,941)	(170,055)
Proceeds from long-term borrowings	46,486,805	61,301,517
Repayments of long-term borrowings	(49,024,164)	(58,295,447)
Increase (decrease) in guarantee deposits received	3,013,583	723,461
Repayment of the principle portion of lease liabilities	(1,540,639)	(1,471,664)
Cash dividends	(108,841)	(977,635)
Cash increase	7,533,158	5,673,751
Increase(decrease) in non-controlling interest	2,207,141	(151,970)
Net cash generated from (used in) financing activities	8,295,102	7,438,958
Effect of exchange in exchanges rate on cash and cash equivalents	(1,198)	8,085
Net increase (decrease) in cash and cash equivalents	14,523,579	(50,107,368)
Cash and cash equivalents at beginning of period	50,249,445	100,356,813
Cash and cash equivalents at end of period	\$64,773,024	\$50,249,445

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, 2023 AND 2022
(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 15, 2024.

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 2023 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform – pillar two model rules’	May 23, 2023

Based on the Company’s assessment, the above standards and interpretations have no significant impact to the Company’s financial position and financial performance.

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 2024 are as follows:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendment to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendment to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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
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 21, "Lack of exchangeability"	January 1, 2025

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		
				2023.12.31	2022.12.31	Note
1	MAH, MDS, MFB, MF, MA, MF&B, MH and SMR	Mercuries Life Insurance Co., Ltd. (MLI)	Life insurance	37.63%	41.72%	(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	49.54%	53.44%	(1),(3)
4	MAH, MA and MFB	SCI Pharmtech Inc. (SCI)	Manufacture and sales of Active Pharmaceutical Ingredients("API") and API Intermediates	33.36%	34.18%	(1),(4)
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	63.62%	93.63%	(5)
9	MAH, MA, MFB, MF&B and MH	Mercuries Leisure Co., Ltd. (MI)	Leisure and entertainment	82.40%	81.64%	(6)
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%	-

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		
				2023.12.31	2022.12.31	Note
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%	(7)
16	MAH and MA	Family Shoemart Co., Ltd (Family Shoemart)	Investment	-	100.00%	(7)
17	MAH and MA	Simple Mart Retail Co., Ltd. (SMR)	Retail	60.86%	60.86%	-
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%	(7)
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%	-
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%	-

NO	Investor	Investee	Main Business and Products	Percentage of Ownership		
				2023.12.31	2022.12.31	Note
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%	98.20%	-

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 to increase capital by cash in 2023 and 2022. The Company and its subsidiaries have resolved by the board of directors to acquire the shares and purchased the Company's shares in the market. The Company's shareholding changed to 37.63%.

Note 3 : The Company sold 1,010 thousand shares of MDS from July to December 2023. Gain on disposal of shares amounted to \$13,850 thousand was recognized in capital surplus. The Company's shareholding changed to 49.54%.

Note 4 : SCI has resolved by the board of directors to increase capital by cash in August 2023. The Company and subsidiaries acquire certain shares and shareholding changed to 33.36%.

Note 5 : In order to cooperate with the MF&B application for stock listing, the Company's has resolved by the board of directors to sell 18,133 thousand shares of MF&B at NT90 and NT91 per share. Gain on disposal of shares amounted to 1,237,953 thousand and recognized in capital surplus. The Company's shareholding changed to 63.62%.

Note 6 : MI has resolved to increase capital by cash in August 2023. The Company and its subsidiaries have resolved by the board of directors to acquire the shares and shareholding changed to 82.40%.

Note 7 : Tastynoodle Co., Ltd, Family shoemart Co., Ltd and Mercuries foodservice Co., Ltd have resolved to dissolve in July 2023. The liquidation process has been completed on August 2023.

4.5. The financial statements of SMR, SCI, YP, MF&B, MF&BC, SMP, MH, MI, MFS Japan and SD on December 31, 2023 and 2022 were audited by other auditors. Total assets of the aforementioned subsidiaries were \$17,059,644 thousand and \$14,900,545 thousand, constituting 1.10% and 1.00% of the total consolidated assets as of December 31, 2023 and 2022 respectively. Total comprehensive income were \$752,984 thousand and \$658,269 thousand, constituting 10.26% and (3.27)% of total consolidated comprehensive income for the years ended December 31, 2023 and 2022 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, 2023 and 2022, non-controlling interest amounted to \$31,412,664 thousand, and \$21,493,533 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, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
MLI	Taiwan	\$24,991,148	62.37%	\$16,902,024	58.28%

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

Balance sheets

	MLI	
	December 31, 2023	December 31, 2022
Assets	\$1,521,803,877	\$1,458,233,193
Liabilities	1,481,862,910	1,429,384,941
Total net assets	\$39,940,967	\$28,848,252

Statements of comprehensive income

	MLI	
	2023	2022
Revenue	\$123,272,756	\$109,647,090
Profit (loss) before income tax from continuing operations	(12,935,985)	(15,057,676)
Income tax (expense) benefit	3,419,996	1,398,874
Net profit (loss)	(9,515,989)	(13,658,802)
Other comprehensive income (loss)	15,557,220	(7,798,567)
Total comprehensive income (loss)	\$6,041,231	\$(21,457,369)

Statements of cash flows

	MLI	
	2023	2022
Net cash flows generated from (used in) operating activities	\$(40,041,190)	\$(66,589,527)
Net cash flows generated from (used in) investing activities	45,714,369	7,968,917
Net cash flows generated from (used in) financing activities	7,858,838	9,263,670
Net increase (decrease) in cash and cash equivalents	13,532,017	(49,356,940)
Cash and cash equivalents at beginning of year	47,827,361	97,184,301
Cash and cash equivalents at end of year	\$61,359,378	\$47,827,361

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.

(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.

(11) Reclassification on financial assets

In accordance with IFRS 9, the Company and its subsidiaries are allowed to apply the reclassification on all its impacted financial assets only when it changes the business model for managing its financial assets. After reclassifying a financial asset out of fair value through other comprehensive income into amortized cost, its fair value measured at the reclassification date will become its new carrying amount; cumulative gain or loss previously recognized in other comprehensive income will be removed from equity and adjusted against the fair value of the financial asset at the reclassification date, as if the financial asset had been measured at amortized cost in the past. The reclassification will affect the Company’s other comprehensive income but will not affect its profit or loss.

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. Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

4.15. 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.

4.16. 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.

4.16.1. 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.

4.16.2. 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.

4.17. 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.

4.18. 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:

- 4.18.1. That are likely to be a significant portion of the total contractual benefits;
- 4.18.2. Whose amount or timing is contractually at the discretion of the issuer; and
- 4.18.3. 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.

4.19. 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.

4.20. 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.

4.21. Leasing

4.21.1. 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.

4.21.2. 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.

4.22. 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.

4.23. 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.

4.24. Employee benefits

4.24.1. 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.

4.24.2. 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.

4.24.3. 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.

4.25. Share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

4.26. 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".

4.27. Financial liabilities and equity instruments

4.27.1. 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.

4.27.2. 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.

4.27.3. Short-term liabilities

Bonds issued under repurchase agreement in financing activities are recorded to short-term debts-notes and bonds issued under repurchase agreement at trading date. When the notes and bonds are repurchased, the difference between the repurchase price and original sale price is recognized as interest expenses.

4.27.4. 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.

4.27.5. 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.

4.28. 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.

4.29. 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.

4.29.1. 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.

4.29.2. 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).

4.29.3. 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.

4.29.4. 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.

4.29.5. 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.

4.29.6. 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.

4.29.7. 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.

4.30. 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.

4.31. 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.

4.31.1. Beginning on March 24, 2023, the subsidiary MLI has adopted the following:

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:

4.31.1.1. The initial amount of reserves for fluctuation of foreign exchange shall be repaid to the special earnings reserves in three 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.

4.31.1.2 Reserve amount:

- (a) Fixed reserve: The amount to be reserved during the month is calculated by multiplying the net exposure to foreign investments by the fixed reserve ratio.
- (b) Additional reserve for the exchange gains on unhedged foreign currency assets and liabilities: If any, the amount to be reserved during the month is calculated by multiplying the foreign exchange gains from the unhedged foreign currency assets and liabilities by the additional reserve ratio.
- (c) Additional reserve for the traditional hedging cost: If the current month's average hedging cost rate of one-year TWD/USD swap is lower than the historical average hedging cost rate, the amount to be reserved during the month is calculated by multiplying the principal amount of traditional hedging by the difference between the hedging cost rates mentioned above, divided by twelve, and then multiplied by the additional reserve ratio.

4.31.1.3 Withdrawal amount:

- (a) Additional withdrawal for the exchange gains on unhedged foreign currency assets and liabilities: If any, the amount to be withdrawn during the month is calculated by multiplying the foreign exchange losses from the unhedged foreign currency assets and liabilities by the additional withdrawal ratio.
- (b) Additional withdrawal for the traditional hedging cost: If the current month's average hedging cost rate of one-year TWD/USD swap is greater than the historical average hedging cost rate, the amount to be withdrawn during the month is calculated by multiplying the principal amount of traditional hedging by the difference between the hedging cost rates mentioned above, divided by twelve, and then multiplied by the additional withdrawal ratio.

4.31.1.4 Lower limit of reserve: The balance of the reserve at the ended of each month shall not be less than six times the average monthly fixed reserved amount of the previous five years.

4.31.1.5 If the balance of the reserve decrease to the lower limit continuously for 3 months, the reserve shall be increased by 75%, and to be at least 3 times the lower limit.

The monthly fixed reserve ratio, additional reserve ratio and additional withdrawal ratio mentioned 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 additional reserve ratio and additional withdrawal ratio are 50%. It will be 60% when comply with the following condition.

(C) The additional reserve ratio and the additional withdrawal ratio for the traditional hedging cost are both 25%.

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

4.31.1.6 The upper limit of the reserve is the value at risk for foreign exchange of the average net exposure to foreign investments in the previous year.

4.31.1.7 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 subsidiary MLI shall make up the insufficiency in the following year while it becomes sufficient.

4.31.1.8 If there are earnings after tax in the current year, 10% of the earnings amount should be provided as special earnings reserves. However, the subsidiary MLI 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."

4.31.2. The subsidiary MLI previously adopted the following before March 24, 2023:

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.

4.31.2.1 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".

4.31.2.2 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.

4.31.2.3 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%).

4.31.2.4 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.

4.31.2.5 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.

4.31.2.6 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.

4.31.2.7 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.”

4.32. 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.

4.33. 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”.

4.34. Revenue

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

4.34.1. 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.

4.34.2. 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.

4.34.3. 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.

4.34.4. 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".

4.34.5. 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.

4.34.6. 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.

4.34.7. 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.

4.35. 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.

4.36. 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.

4.37. 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

	December 31,2023	December 31,2022
Cash and deposits in bank	\$34,508,299	\$36,140,576
Cash equivalents	30,264,725	14,108,869
Total	<u>\$64,773,024</u>	<u>\$50,249,445</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

	December 31,2023	December 31,2022
Common stocks	\$-	\$2,426
Beneficiary certificates	1,052	1,039
Preferred stocks	87,946	94,080
Forward foreign exchange contracts	-	11,160
Total	<u>\$88,998</u>	<u>\$108,705</u>

6.3 Accounts receivable, net

	December 31,2023	December 31,2022
Notes receivable	\$94,262	\$78,473
Accounts receivable	1,266,693	1,022,156
Lease payment receivable within 1 year	20,798	20,077
Interest receivable	8,668,463	8,932,047
Other receivables—delinquent receivables	377,797	126,422
Other receivables—securities and redeeming investment-linked insurance	1,931,590	768,989
Other	201,353	128,728
Subtotal	\$12,560,956	\$11,076,892
Less: Allowance—notes receivable	(63)	(63)
Less: Allowance—accounts receivable	(6,011)	(14,547)
Less: Allowance—interest receivable	(19,132)	(19,512)
Less: Allowance—delinquent receivables	(67,481)	(22,356)
Total	\$12,468,269	\$11,020,414

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 31,2023		
	Total lease payment receivable	Unearned finance income	Net lease payment receivable
<u>Current</u>			
1 year	\$24,221	\$(3,423)	\$20,798
<u>Non-current</u>			
1~5 years	76,703	(9,316)	67,387
Total	\$100,924	\$(12,739)	\$88,185

	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>

6.4 Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$275,304	\$366,745
Work in process	109,249	73,227
Finished goods	579,237	504,112
Inventory in transit	18,392	27,618
Merchandise inventories	5,100,185	4,933,343
Subtotal	<u>\$6,082,367</u>	<u>\$5,905,045</u>
Allowance for inventory valuation losses	<u>(485,303)</u>	<u>(430,591)</u>
Total	<u>\$5,597,064</u>	<u>\$5,474,454</u>

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

6.5 Non-current assets held for sale

	2023
January 1	\$-
Financial assets at amortized cost – non current	250,000
Property, plant and equipment	125,132
Investment property	1,642,452
Eliminated upon consolidation	<u>(250,000)</u>
December 31	<u>\$1,767,584</u>

1. In order to activate the assets, obtain the operating capital, and strengthen the Company's financial structure, the Company's management made an asset disposal plan in December 2023. The Company decided to dispose financial assets at amortized cost, PPE and Investment property with carrying amount of \$250,000 thousand, \$68,189 thousand and \$1,642,452 thousand, respectively. These assets were reclassified to non-current assets held for sale and the related deferred tax liabilities of \$106,886 thousand were reclassified to liabilities directly associated with non-current assets held for sale.

2. In order to activate the assets, MA has resolved by the board of directors to sell the land and buildings in Fengyuan District, Taichung City in November 2023 and signed a contract with a price of 193,000 thousand in December 2023. As of December 31, 2023, \$9,650 thousand had been collected and the carrying amount of PPE amounted to \$56,942 thousand were reclassified to non-current assets held for sale.

6.6 Reinsurance contract assets

	December 31, 2023	December 31, 2022
Claims and payment recoverable from reinsurers	\$1,385,976	\$1,291,244
Intercompany reinsurance receivables	34,209	22,710
	<u>\$1,420,185</u>	<u>\$1,313,954</u>
Reinsurance reserve asset:		
Ceded unearned premium reserve	\$496,095	\$431,129
Ceded claims reserve	634,250	459,605
Subtotal	<u>\$1,130,345</u>	<u>\$890,734</u>
Total	<u>\$2,550,530</u>	<u>\$2,204,688</u>

6.7 Bills discounted and loans

	December 31, 2023		
	Normal loan	Delinquent loan	Total
Policy loans	\$31,664,195	\$-	\$31,664,195
Automatic premium loans	11,646,671	-	11,646,671
Secured loans	24,957,605	2,378	24,959,983
	<u>\$68,268,471</u>	<u>\$2,378</u>	<u>\$68,270,849</u>
Less: Loss allowance	(373,190)	(1,181)	(374,371)
Total	<u>\$67,895,281</u>	<u>\$1,197</u>	<u>\$67,896,478</u>

	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>

As of December 31, 2023, all of the receivables past due more than 6 months has been recognized delinquent loan. As of December 31, 2022, there was no receivables past due more than 6 months.

The loss allowance recognized and eliminated for the years ended December 31, 2023 and 2022 are as follows:

	2023					
	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	\$-	\$5	\$95	\$100	\$407,518	\$407,618
— Converted to Lifetime expected credit loss	-	(4)	4	-	-	-
— Derecognition of financial assets in the period	-	-	(3)	(3)	-	(3)
Loss allowance on net measurement	4	-	(13)	(9)	-	(9)
Additions in the current period	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	-	-	-	-	(33,245)	(33,245)
Foreign exchange and other differences	-	-	9	9	-	9
Closing balance	\$5	\$1	\$92	\$98	\$374,273	\$374,371

	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

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

Item	December 31,2023	December 31,2022
1. Common stocks	\$50,504,136	\$29,178,300
2. Preferred stocks	119,342	120,636
3. Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	13,143,750	6,035,151
4. Financial bonds	4,354,366	4,254,628
5. Beneficiary certificates and others	37,859,726	17,704,190
6. Foreign stocks	220,735	2,143,561
7. Foreign depository receipts	-	368,560
8. Foreign bonds	1,678,760	1,657,683
9. Foreign beneficiary securities	7,984,783	17,738,706
Total	\$115,865,598	\$79,201,415

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 gains amounted to \$20,966,754 thousand and losses amounted to \$3,838,173 thousand for the years ended December 31, 2023 and 2022, 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 31,2023	December 31,2022
1. Common stocks	\$50,464,627	\$29,150,454
2. Preferred stocks	17,142	17,436
3. Beneficiary certificates and others	37,859,726	17,704,190
4. Financial bonds	4,354,366	4,254,628
5. Foreign beneficiary securities	7,898,700	17,683,329
6. Foreign stocks	220,735	2,143,561
7. Foreign depository receipts	-	368,560
8. Foreign bonds	1,678,760	1,657,683
Total	\$102,494,056	\$72,979,841

For the years ended December 31, 2023 and 2022, 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	2023	2022
Gains (losses) on adopting IFRS 9	\$18,134,323	\$(10,167,129)
Less: Gains (losses) if IAS 39 were adopted	7,622,108	(6,945,893)
Gains (losses) adjustment on adopting the overlay approach	\$10,512,215	\$(3,221,236)

Due to the adjustment on the overlay approach, the loss of \$946,716 thousand increased to \$11,458,931 thousand, and loss of \$67,822,759 thousand decreased to \$64,601,523 thousand, resulted in profit in financial assets measured at FVTPL for the years ended December 31, 2023 and 2022, 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, 2023 and 2022. Hence, there was no change in designation in the current year.

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

Item	December 31, 2023	December 31, 2022
Debt instruments		
1. Government bonds	\$-	\$9,888,641
2. Corporate bonds	-	19,095,238
3. Financial bonds	-	2,743,401
4. Foreign bonds	2,726,152	11,806,891
Subtotal	\$2,726,152	\$43,534,171
Equity instruments		
1. Unquoted stocks	\$938,790	\$943,732
2. Common stocks	118,197	-
3. Preferred stocks	6,098	29,408
Subtotal	\$1,063,085	\$973,140
Total	\$3,789,237	\$44,507,311

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, 2023 and 2022 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, 2023	\$4,723	\$-	\$-	\$4,723
Loss allowance on net measurement	(112)	-	-	(112)
Reclassification to financial assets at amortized costs	(4,565)	-	-	(4,565)
Foreign exchange and other differences	(4)	-	-	(4)
Balance as of December 31, 2023	\$42	\$-	\$-	\$42

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>

The accumulated impairment loss on interest receivable from financial assets measured at FVOCI on December 31, 2023 and 2022 were \$0 thousand and \$21 thousand, respectively.

As the carrying 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.

6.10 Financial assets at amortized cost- non-current

Item	December 31,2023	December 31,2022
1.Government bonds	\$93,806,447	\$92,918,241
2.Corporate bonds	66,090,092	59,493,218
3.Financial bonds	15,272,624	21,174,934
4.Beneficiary certificates	999,966	1,999,926
5.Foreign bonds	850,441,273	834,605,379
Less: Guarantee deposits paid	<u>(13,140,570)</u>	<u>(9,357,840)</u>
Total	<u>\$1,013,469,832</u>	<u>\$1,000,833,858</u>

The accumulated loss allowance for the years ended December 31, 2023 and 2022, 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, 2023	\$104,313	\$-	\$821,709	\$926,052
Due to changes in financial instruments recognized at the beginning of the period:				
Financial assets derecognized in the current period	(3,653)	-	-	(3,653)
Loss allowance on net measurement	(48,098)	-	(2,621)	(50,719)
Additions in the current period	84	-	-	84
Reclassification from financial assets at FVOCI	4,565	-	-	4,565
Foreign exchange and other differences	60	-	722	782
Balance as of December 31, 2023	<u>\$57,301</u>	<u>\$-</u>	<u>\$819,810</u>	<u>\$877,111</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, 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	<u>\$104,343</u>	<u>\$-</u>	<u>\$821,709</u>	<u>\$926,052</u>

The accumulated impairment losses on interest receivable from financial assets measured at amortized cost on December 31, 2023 and 2022 were \$19,132 thousand and \$19,491 thousand, respectively, and the accumulated impairment losses on guarantee deposits paid were \$154 thousand and \$118 thousand, respectively.

The current gains (losses) of financial assets measured at amortized costs and the derecognized carrying amount for the year ended December 31, 2023 and 2022 are as follows:

	2023	2022
Derecognized carrying amount	\$32,379,305	\$21,678,001
Recognized current gain	\$(322,931)	\$2,026,181

6.11 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 \$4,469,405 thousand and \$5,924,375 thousand as of December 31, 2023 and 2022 and the recognized shares of profit of associates and joint ventures accounted for under equity method of these investee companies were \$38,071 thousand and \$204,063 thousand for the years ended December 31, 2023 and 2022 respectively.

1. The investments accounts for under equity method on December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Associates	\$4,469,405	\$5,924,375
Joint ventures	105,526	95,662
Total	\$4,574,931	\$6,020,037

2. The shares of profit of associates and joint ventures accounted for under equity method for the year ended December 31, 2023 and 2022 are as follows:

	2023	2022
Share of profit of associates and joint ventures accounted for under equity method	\$60,631	\$218,170

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, 2023	December 31, 2022		
Fuh Hwa Securities Investment Trust Co., Ltd. ("FHSIT")	TW	-	30.75%	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 follows:

Balance sheets

	FHSIT	
	December 31, 2023	December 31, 2022
Current Assets	\$-	\$3,614,469
Non-current Assets	-	887,670
Current Liabilities	-	1,657,114
Non-current Liabilities	-	77,311
Total net assets	\$-	\$2,767,714
Share in associate's net assets	\$-	\$850,968
Carrying amount of the associate	\$-	\$1,455,503

Statements of comprehensive income

	FHSIT	
	2023	2022
Revenue	\$-	\$3,117,514
Profit from continuing operations	-	842,349
Other comprehensive income (loss)	-	46,576
Total comprehensive income	\$-	\$888,925
Share of profit of the associate	\$46,138	\$260,961

Balance sheets

	CMG ONE	
	December 31,2023	December 31,2022
Current Assets	\$3,769,115	\$3,815,067
Non-current Assets	4,007	1,687
Current Liabilities	121,851	156,994
Non-current Liabilities	204,211	202,070
Total net assets	\$3,447,060	\$3,457,690
Share in associate's net assets	\$1,551,177	\$1,555,961
Carrying amount of the associate	\$1,551,177	\$1,555,961

Statements of comprehensive income

	CMG ONE	
	2023	2022
Revenue	\$-	\$-
Profit (loss) from continuing operations	(10,630)	(30,347)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$(10,630)	\$(30,347)
Share of profit (loss) of the associate	\$(4,784)	\$(13,656)

Balance sheets

	CMG TWO	
	December 31,2023	December 31,2022
Current Assets	\$4,457,238	\$4,519,349
Non-current Assets	10,489	9,355
Current Liabilities	217,464	263,561
Non-current Liabilities	332,512	329,756
Total net assets	\$3,917,751	\$3,935,387
Share in associate's net assets	\$1,762,988	\$1,770,923
Carrying amount of the associate	\$1,762,988	\$1,770,923

Statements of comprehensive income

CMG TWO

	2023	2022
Revenue	\$-	\$-
Profit (loss) from continuing operations	(17,635)	(40,995)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$(17,635)	\$(40,995)
Share of profit (loss) of the associate	\$(7,935)	\$(18,448)

- (3) The Carrying amount of the Company's individually immaterial associates amounted to \$1,155,240 thousand and \$1,141,988 thousand on December 31, 2023 and 2022 respectively.

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

	2023	2022
Profit (loss) from continuing operations	\$142,007	\$(240,043)
Other comprehensive income (loss)	27,259	25,302
Total comprehensive income (loss)	\$169,266	\$(214,741)
Share of profit (loss) of the associate	\$4,652	\$(24,794)

4. Joint venture

The carrying amount of the Company's joint venture amounted to \$105,526 thousand and \$95,662 thousand on December 31, 2023 and 2022 respectively.

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

	2023	2022
Profit from continuing operations	\$45,121	\$28,214
Other comprehensive income	-	-
Total comprehensive income	\$45,121	\$28,214
Share of profit of the joint venture	\$22,560	\$14,107

5. As resolved by the board of directors, MLI disposed all holding shares of FHSIT and completed the transaction on March 20, 2023. Gain on disposal of investment amounted to \$1,254,491 thousands was recognized by MLI. In 2022, the Company and MFB sold FHSIT shares and recognized gain on disposal of investment amounted to \$254,685 thousand. The Group's shareholding changed to 0.04% in 2023, which has no significant influence on FHSIT and reclassified the remaining shares to FVOCI.
6. Framosa Co., Ltd. has resolved by the board of directors to increase capital by cash in November, 2022. The Company and subsidiary SCI invested \$164,000 thousand and the shareholding is 40%.
7. The subsidiaries MA and YP invested in HoneyBear Biosciences, Inc. ("HoneyBear") amounted to \$43,000 thousand in May 2023 and July 2022 and the shareholding is 15.04%. 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 MLI 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 subsidiary MLI invested in NFC II Renewable Power Co., Ltd. amounted to \$157,500 thousand in March 2022 and the shareholding is 21%.
10. As of December 31, 2023, the Investments accounted for under equity method pledged as collateral, please refer to Note 8 pledged assets.

6.12 Property, plant and equipment

	2023				Total
	Land	Buildings	Others	Prepayment and construction in progress	
<u>2023.1.1</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>
Additions	-	61,981	783,465	1,010,947	1,856,393
Disposals & Scraps	-	-	(10,163)	-	(10,163)
Depreciation	-	(176,307)	(793,141)	-	(969,448)
Impairment	-	-	(847)	-	(847)
Reclassification	-	311,742	732,153	(979,697)	64,198
Reclassify to investment property	(8,482)	(4,080)	-	-	(12,562)
Reclassify to Non-current assets held for sale	(59,566)	(65,566)	-	-	(125,132)
Revaluation	275	441	-	-	716
Net exchange differences	-	(2,693)	(40)	-	(2,733)
<u>2023.12.31</u>					
Cost	\$9,652,533	\$6,650,091	\$7,902,352	\$1,795,466	\$26,000,442
Accumulated Depreciation and impairment	-	(1,674,133)	(4,715,171)	-	(6,389,304)
Total	<u>\$9,652,533</u>	<u>\$4,975,958</u>	<u>\$3,187,181</u>	<u>\$1,795,466</u>	<u>\$19,611,138</u>

Note: \$17,607 thousands Capitalized asset Included

	2022				
	Land	Buildings	Others	Prepayment and construction in progress	Total
<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)
Reclassify 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>

Note: \$895 thousands Capitalized asset Included

- (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, and recognized the loss on rights transferred of the sale and leaseback of \$47,965 thousand.
- (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) PPE reclassified to non-current assets held for sale please refer to Note 6.5.
- (4) There is no item of property, plant and equipment impaired for the years 2023 and 2022.
- (5) As of December 31, 2023, the property, plant and equipment pledged as collateral, please refer to Note 8 pledged assets.

6.13 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 follows:

1. Right-of-use assets

	December 31,2023	December 31,2022
Carrying amount		
Buildings	\$4,358,920	\$4,044,313
Transportation equipment	37,956	29,771
Other equipment	77,932	34,924
Total	<u>\$4,474,808</u>	<u>\$4,109,008</u>
	2023	2022
Right-of-use assets additions	<u>\$1,899,597</u>	<u>\$1,705,880</u>
	2023	2022
Depreciation charge		
Buildings	\$1,424,738	\$1,386,743
Transportation equipment	24,022	23,568
Other equipment	21,384	14,145
Total	<u>\$1,470,144</u>	<u>\$1,424,456</u>

2. Lease liabilities

The Company and its subsidiaries lease liabilities on December 31, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Lease liabilities - current	\$1,334,861	\$1,208,545
Lease liabilities - non-current	\$3,262,500	\$3,018,301

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

	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$61,476	\$43,027
Variable lease payments not included in the measurement of lease liabilities	\$31,772	\$28,119
Expense on short-term lease contracts	\$56,272	\$91,535
Expense on leases of low-value assets	\$11,343	\$10,790

6.14 Investment property

	2023		
	Land	Buildings	Total
Balance as of January 1, 2023	\$18,430,652	\$3,266,924	\$21,697,576
Disposals	(31,464)	(11,540)	(43,004)
Follow-up cost	-	6,084	6,084
Gain (loss) on fair value adjustment	69,856	(10,168)	59,688
Reclassify from PPE	8,482	4,080	12,562
Reclassify to non-current assets held for sale	(1,346,946)	(295,506)	(1,642,452)
Balance as of December 31, 2023	\$17,130,580	\$2,959,874	\$20,090,454

	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
Gain (loss) on fair value adjustment	(66,492)	126,284	59,792
Reclassify from PPE	1,973,634	510,643	2,484,277
Balance as of December 31, 2022	\$18,430,652	\$3,266,924	\$21,697,576

1. As of December 31, 2023 and 2022, fair value information are as follows:

Source of FV	December 31,2023	December 31,2022
External appraisal	\$20,090,454	\$21,697,576

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

(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, 2023 and 2022.

Name of appraisers firm	December 31,2023	December 31,2022
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 follows:

	December 31,2023	December 31,2022
Expected future cash inflows	\$2,622,974	\$2,519,081
Expected future cash outflows	(131,623)	(82,930)
Net cash inflows	\$2,491,351	\$2,436,151

Rent information in the neighboring areas are as follows:

	December 31,2023	December 31,2022
Contract rent (square meter/month/dollar)	\$223~\$1,235	\$223~\$1,235
Market rent (square meter/month/dollar)	\$358~\$1,680	\$344~\$1,670

Main parameters	December 31,2023	December 31,2022
Income capitalization rate	1.98%~3.72%	2.04%~3.70%
Discount rate	2.35%~3.65%	2.37%~3.57%

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 31,2023	December 31,2022
Estimated total sale price	\$24,847	\$23,691
Rate of return	14%	15%
Overall capital interest rate	1.45%	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, 2023 and 2022.

Name of appraisers firm	December 31,2023	December 31,2022
HomeBan Real Estate Appraisers Joint Firm	Li, Ching-Tang	-
CCIS Real Estate Appraisers Joint Firm	Wu, Chih-Hao, Li, Wei-Ju	-
Jin Han Real Estate Appraisers Joint Firm	-	Wu, Yu-Chun, Chen, Yi-Chun
REPro International Appraisals	-	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 31,2023	December 31,2022
Income capitalization rate	about 0.87%~2.52%	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, 2023 and 2022.

Name of appraisers firm	December 31,2023	December 31,2022
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 follows:

	December 31,2023	December 31,2022
Expected future cash inflows	\$22,164	\$21,730
Expected future cash outflows	(785)	(430)
Net cash inflows	\$21,379	\$21,300

Main parameters	December 31,2023	December 31,2022
Income capitalization rate	2.36%	2.42%
Discount Rate	2.35%	2.37%

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 31,2023	December 31,2022
Estimated total sale price	\$118,671	\$110,663
Rate of return	14%	14%
Overall capital interest rate	1.74%	1.37%

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, 2023 and 2022.

Name of appraisers firm	December 31,2023	December 31,2022
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 follows:

	December 31,2023	December 31,2022
Expected future cash inflows	\$1,393,647	\$1,347,396
Expected future cash outflows	(49,207)	(28,321)
Net cash inflows	\$1,344,440	\$1,319,075

Main parameters	December 31,2023	December 31,2022
Income capitalization rate	3.50%	3.42%
Discount Rate	3.45%	3.37%

(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, 2023. The appraiser confirmed the validity of the valuation report and the fair value information as December 31, 2023 and 2022.

Name of appraisers firm	September 30,2023	September 30,2022
Bon-De Real Estate Appraisers Joint Firm	Mao, Bing-Ji	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 6.24.
4. The subsidiary YP leased a land in Guanyin district of Taoyuan City to Framosa Co., Ltd. in September 2023. 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 reclassified to Investment property with fair value of \$562,641 thousand.
5. The land in Yangmei cannot 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.
6. 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.
7. 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 reclassified to retained surplus on January 1, 2012 as IFRS adoption.
8. 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 reclassified to investment property.
9. Investment property reclassified to non-current assets held for sale please refer to Note 6.5.
10. As of December 31, 2023, the Company and its subsidiaries have not provided the Investment property as collateral.

6.15 Other non-current assets

	December 31, 2023	December 31, 2022
Refundable deposits	\$13,579,704	\$9,995,625
Long-term installment accounts receivable	-	1,207
Long-term lease payment receivable	67,387	45,923
Separate account assets for unit-linked products	177,007,560	143,001,896
Prepayments for investments	-	8,409
Others	1,004,193	609,913
Total	<u>\$191,658,844</u>	<u>\$153,662,973</u>

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

	December 31, 2023		
	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	\$68,264,861	\$103,618,883	\$171,883,744
Bank deposits	3,413,906	794,866	4,208,772
Other receivables	915,044	-	915,044
	<u>\$72,593,811</u>	<u>\$104,413,749</u>	<u>\$177,007,560</u>
Separate account liabilities for unit-linked products:			
Separate account value reserve	\$68,566,822	\$104,413,749	\$172,980,571
Other payables	4,026,989	-	4,026,989
	<u>\$72,593,811</u>	<u>\$104,413,749</u>	<u>\$177,007,560</u>

	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>

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

	2023	2022
Separate account for unit-linked products revenues:		
Premium income	\$9,109,645	\$8,301,403
Gain (Loss) on valuation of financial assets (liabilities) at FVTPL	7,091,360	(8,069,884)
Gain on disposal of financial assets (liabilities) at FVTPL	(364,540)	(592,877)
Gain (loss) on exchange	(977,469)	279,175
Interest revenue	674,847	602,150
Total	<u>\$15,533,843</u>	<u>\$519,967</u>
Separate account for unit-linked products expenses:		
Insurance benefits	\$289,447	\$85,611
Early termination charge	5,306,485	4,281,382
Separate account value reserve net change	8,118,633	(5,579,911)
Management fee	1,819,278	1,732,885
Total	<u>\$15,533,843</u>	<u>\$519,967</u>

As a result of selling investment-linked products, the subsidiary MLI received sales rebates from counterparties amounted to \$1,599,194 thousand and \$1,309,658 thousand for the years ended December 31, 2023 and 2022, respectively, which are recorded under fee income.

6.16 Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured loans	\$1,285,000	\$1,397,000
Secured loans	50,000	-
total	<u>\$1,335,000</u>	<u>\$1,397,000</u>
Interest rate	1.7%~2.13%	0.95%~2.13%

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

6.17 Short-term notes and bills payable

	December 31, 2023	December 31, 2022
Commercial paper payable	<u>569,990</u>	<u>779,930</u>
Interest rate	1.85%~2.11%	0.86%~2.14%

6.18 Accounts payable

	December 31, 2023	December 31, 2022
Notes payable	\$17,978	\$25,937
Accounts payable	3,007,554	2,967,216
Other payable	3,064,231	1,185,316
Payable on machinery and equipment	127,536	305,444
Accrued Expenses	2,035,859	2,043,583
Other payable-others	<u>139,055</u>	<u>137,405</u>
Total	<u>\$8,392,213</u>	<u>\$6,664,901</u>

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

Item	December 31, 2023	December 31, 2022
1. Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$62,114	\$3,389,686
2. Redemption options and put options of convertible bonds	16,182	34,532
Total	<u>\$78,296</u>	<u>\$3,424,218</u>

6.20 Bonds payable

	December 31,2023	December 31,2022
Perpetual cumulative subordinated corporate bond	\$8,190,000	\$8,190,000
Unsecured convertible bonds	2,800,000	2,300,000
Less: discount on bonds payable	(86,589)	(47,146)
Less: accumulated converted amount	(86,400)	(86,400)
Less: current portion of bonds payable	(1,930,612)	-
Total	<u>\$8,886,399</u>	<u>\$10,356,454</u>

The bondholders have exercised the right to require the Company to redeem the bonds which has accounted as current portion of bonds payable. The Company had paid \$1,973,592 thousand for redemption price of par value plus interest compensation on January 30, 2024.

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 22, 2021. The conversion price was adjusted to \$20.16 since September 17, 2022. The conversion price was adjusted to \$19.90 since September 19, 2023.

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 is 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 is 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.

5. With the aim of future operational requirements, the subsidiary MDS issued the first issuance of convertible bonds in 2023 and approved by Financial Supervisory Commission on October 26, 2023. The term sheet for the bond is set as follows:

Issue Amount	NT\$500,000 thousand
Issue date	December 13, 2023
Coupon rate	0%
Issue period	December 13, 2023 ~ December 13, 2028
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\$50,000 thousand of the total issuance, the Company may repurchase the outstanding bonds at par in cash.
Redemption at the option of the bondholders	Within 40 days prior to the completion of the 3 years and 4 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. The interest compensation for the 3 years and 4 years from the date of issuance is 101.51% and 102.02%.
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 NT\$28 per share at issuing. The conversion price was adjusted to NT\$27.7 since December 19, 2023.

6.21 Long-term borrowings

1. The details are as follows:

Bank	Borrowing period and term	December 31,2023	December 31,2022
O-Bank and 13 banks guarantee syndicated loan	2021/12/01-2026/12/01 applying credit loan and issuing commercial paper	\$1,600,000	\$2,400,000
SinoPac Bank	2023/05/17-2025/05/31 applying credit loan	100,000	200,000
Shin Kong Bank	2022/01/26-2024/01/26 applying credit loan	-	300,000
First Bank	2023/01/28-2025/01/28 applying mortgage loan	1,000,000	220,000
JihSun Bank	2022/09/22-2024/09/22 applying credit loan	-	450,000
Taipei Fubon Bank	2023/01/12-2025/01/12 applying credit loan	50,000	415,000

Bank	Borrowing period and term	December 31,2023	December 31,2022
Taiwan Business Bank	2023/12/29-2025/12/29 applying credit loan	250,000	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
Land Bank	2022/06/20-2024/06/20 applying credit loan	-	200,000
Entie Bank	2023/03/04-2025/03/04 applying credit loan	100,000	100,000
Taichung Bank	2023/12/21-2025/12/21 applying credit loan	400,000	-
E.Sun Bank	2023/06/13-2025/06/13 applying credit loan	300,000	-
Far Eastern Bank	2023/03/13-2025/03/13 applying credit loan	400,000	-
SinoPac Bank	2023/05/27-2025/05/31 applying credit loan	100,000	100,000
Taipei Fubon Bank	2023/01/12-2025/01/12 applying credit loan	100,000	100,000
O-Bank	2023/05/15-2025/05/14 issuing commercial paper	100,000	100,000
Far Eastern Bank	2023/06/05-2025/06/05 applying credit loan	100,000	-
JihSun Bank	2022/09/22-2024/09/22 applying credit loan	-	150,000
Taichung Bank	2022/12/23-2024/12/23 applying credit loan	-	100,000
E.Sun Bank	2023/09/05-2025/09/05 applying credit loan	100,000	50,000
First Bank	2023/09/28-2025/09/28 applying credit loan	50,000	40,000
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 31,2023	December 31,2022
Cathay United Bank and 5 banks guarantee syndicated loan	2022/05/11-2027/05/10 applying mortgage loan and issuing commercial paper	600,000	210,000
Land Bank	2022/04/11-2042/04/11 applying mortgage loan	73,180	76,495
Taiwan Bank	2022/12/19-2042/12/19 applying mortgage loan	216,150	226,000
Mega Bank	2022/02/25-2027/02/25 applying mortgage loan	686,572	322,767
Shanghai Bank	2022/11/25-2025/11/24 applying credit loan	130,000	113,000
E.Sun Bank	2023/09/28-2026/09/28 applying credit loan	50,000	-
Less: Deferred revenue		(3,902)	(3,411)
Less: Discount of commercial paper		(1,064)	(3,781)
Less: Current portion of Long-term borrowing		(32,841)	(14,678)
Total		<u>\$6,468,095</u>	<u>\$9,021,392</u>
Interest rate range		1.55%~2.45%	0.78%~2.21%

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, 2023, the subsidiary SCI had used the credit amount of \$686,572 thousand.
5. The details of assets pledged as collateral, please refer to Note 8 pledged assets.

6.22 Provision – non-current

	December 31,2023	December 31,2022
Insurance liabilities (Note 6.23)	\$1,273,507,157	\$1,259,058,682
Provision for decommissioning, restoration and rehabilitation costs	15,239	12,295
Provision for long-term liabilities of legal procedures	3,858	25,869
Other provisions	7,988	7,289
Total	<u>\$1,273,534,242</u>	<u>\$1,259,104,135</u>

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

6.23 Insurance liabilities

	December 31,2023	December 31,2022
Unearned premium reserve	\$5,277,681	\$4,886,672
Claims reserve	2,331,310	2,077,828
Policy reserve	1,260,406,963	1,242,463,092
Special reserve	793,375	755,758
Premium deficiency reserve	1,428,172	1,494,572
Reserves for fluctuation of foreign exchange	3,269,656	7,380,760
Subtotal	<u>\$1,273,507,157</u>	<u>\$1,259,058,682</u>
Less:Ceded unearned premium reserve	\$496,095	\$431,129
Ceded claims reserve	634,250	459,605
Subtotal	<u>\$1,130,345</u>	<u>\$890,734</u>
Net	<u>\$1,272,376,812</u>	<u>\$1,258,167,948</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, 2023			
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	\$3,854	\$-	\$3,854
Personal accident insurance	2,223,759	-	2,223,759
Personal health insurance	2,825,115	-	2,825,115
Group insurance	167,309	-	167,309
Investment-linked insurance	57,644	-	57,644
Total	\$5,277,681	\$-	\$5,277,681
Less: Ceded unearned premium reserve			
Personal life insurance	\$82,561	\$-	\$82,561
Personal accident insurance	15,252	-	15,252
Personal health insurance	391,647	-	391,647
Group insurance	6,635	-	6,635
Total	\$496,095	\$-	\$496,095
Net	\$4,781,586	\$-	\$4,781,586

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

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

	2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2023	\$4,886,672	\$-	\$4,886,672
Provision	5,978,892	-	5,978,892
Reversal of provision	(5,587,879)	-	(5,587,879)
Gain or loss on exchange	(4)	-	(4)
Balance as of December 31, 2023	\$5,277,681	\$-	\$5,277,681
Less: Ceded unearned premium reserve:			
Net balance as of January 1, 2023	\$431,129	\$-	\$431,129
Increase	496,149	-	496,149
Decrease	(431,170)	-	(431,170)
Gain or loss on exchange	(13)	-	(13)
Net balance as of December 31, 2023	\$496,095	\$-	\$496,095
Balance as of December 31, 2023	\$4,781,586	\$-	\$4,781,586

	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

2. Claims reserve

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

	December 31, 2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance			
-reported and unpaid	\$59,380	\$-	\$59,380
Personal accident insurance			
-reported and unpaid	62,513	-	62,513
-unreported and unpaid	429,674	-	429,674
Personal health insurance			
-reported and unpaid	382,731	-	382,731
-unreported and unpaid	1,153,670	-	1,153,670
Group insurance			
-reported and unpaid	27,350	-	27,350
-unreported and unpaid	215,220	-	215,220
Investment-linked insurance			
-reported and unpaid	772	-	772
Total	\$2,331,310	\$-	\$2,331,310
Less: Ceded claims reserve			
Personal life insurance	\$233,925	\$-	\$233,925
Personal accident insurance	5,390	-	5,390
Personal health insurance	394,935	-	394,935
Total	\$634,250	\$-	\$634,250
Net	\$1,697,060	\$-	\$1,697,060

	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

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

	2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2023	\$2,077,828	\$-	\$2,077,828
Provision	2,328,286	-	2,328,286
Reversal of provision	(2,074,652)	-	(2,074,652)
Gain or loss on exchange	(152)	-	(152)
Balance as of December 31, 2023	\$2,331,310	\$-	\$2,331,310
Less: Ceded claims reserve:			
Net balance as of January 1, 2023	\$459,605	\$-	\$459,605
Increase	314,980	-	314,980
Decrease	(140,336)	-	(140,336)
Gain or loss on exchange	1	-	1
Net balance as of December 31, 2023	634,250	-	634,250
Balance as of December 31, 2023	\$1,697,060	\$-	\$1,697,060
	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

3. Policy reserve

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

December 31, 2023				
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal life insurance	\$895,463,705	\$-	\$-	\$895,463,705
Personal health insurance	355,672,137	-	-	355,672,137
Annuities insurance	239,391	6,356,250	-	6,595,641
Investment-linked insurance	1,759,497	-	-	1,759,497
Reversal of accident	10,008	-	-	10,008
Reserve for operating loss	-	-	677,110	677,110
Amount payable to insurance holders	-	-	228,865	228,865
Total	<u>\$1,253,144,738</u>	<u>\$6,356,250</u>	<u>\$905,975</u>	<u>\$1,260,406,963</u>

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>

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:

	2023			
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January 1, 2023	\$1,230,513,011	\$11,059,195	\$890,886	\$1,242,463,092
Provision	95,393,880	(2,174,362)	15,089	93,234,607
Reversal of provision	(73,181,180)	(2,545,826)	-	(75,727,006)
Gain or loss on exchange	419,027	17,243	-	436,270
Balance as of December 31, 2023	\$1,253,144,738	\$6,356,250	\$905,975	\$1,260,406,963

	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

4. Special reserve

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

December 31, 2023				
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Personal accident insurance	\$86,536	\$-	\$-	\$86,536
Personal health insurance	558,666	-	-	558,666
Gain on appreciation of real estate	-	-	148,173	148,173
Total	\$645,202	\$-	\$148,173	\$793,375

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

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:

2023				
	Insurance Contract	Financial instruments containing discretionary participation features	Others	Total
Balance as of January 1, 2023	\$607,585	\$-	\$148,173	\$755,758
Provision	37,617	-	-	37,617
Balance as of December 31, 2023	\$645,202	\$-	\$148,173	\$793,375
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

5. Premium deficiency reserve

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

	December 31,2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Personal life insurance	\$1,134,580	\$-	\$1,134,580
Personal health insurance	268,385	-	268,385
Group insurance	25,207	-	25,207
Total	\$1,428,172	\$-	\$1,428,172

	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

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

	2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Balance as of January 1, 2023	\$1,494,572	\$-	\$1,494,572
Provision	(42,564)	-	(42,564)
Reversal of provision	(24,467)	-	(24,467)
Gain or loss on exchange	631	-	631
Balance as of December 31, 2023	\$1,428,172	\$-	\$1,428,172

	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

6. Liability adequacy reserve

The subsidiary MLI tested the following liability adequacy in accordance with the IFRS 4 on December 31, 2023 and 2022 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 31,2023	December 31,2022
Policy reserve	\$1,259,490,980	\$1,241,562,199
Unearned premium reserve	5,100,699	4,703,853
Premium deficiency reserve	1,402,965	1,479,344
Other provisions of the law or voluntary increase for the strengthening of financial reserves	1,332,320	1,294,703
Carrying amount of insurance liability	\$1,267,326,964	\$1,249,040,099
Estimated future cash flows amount	\$1,002,995,088	\$982,205,888
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, 2023 and 2022. 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 31,2023	December 31,2022
Unearned premium reserve	\$176,982	\$182,819
Premium deficiency reserve	25,207	15,228
Carrying amount of insurance liability	\$202,189	\$198,047
Expected premium income in the future	\$367,380	\$361,005
Expected claims and expenses in the future	\$473,868	\$494,708
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, 2023 and 2022. 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, 2023 and 2022 were \$3,269,656 thousand and \$7,380,760 thousand, respectively. The details of the reserve for fluctuation of foreign exchange of the subsidiary MLI are as follows:

	2023	2022
Beginning balance	\$7,380,760	\$411,705
Addition:		
General provision	\$1,363,060	\$919,351
Additional provision	5,158,312	11,429,520
Subtotal	\$6,521,372	\$12,348,871
Recovery	(10,632,476)	(5,379,816)
Total	\$3,269,656	\$7,380,760

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, 2023			
Reserve for fluctuation of foreign exchange	\$-	\$3,269,656	\$3,269,656
Equity	\$42,556,692	\$39,940,967	\$(2,615,725)
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)
Item	Amount without the adoption of reserve for fluctuation of foreign exchange	Amount with the adoption of reserve for fluctuation of foreign exchange	Effect
2023			
Net income (loss)	\$(12,804,872)	\$(9,515,989)	\$3,288,883
Earnings per share (after tax)	\$(2.83)	\$(2.11)	\$0.72
2022			
Net income (loss)	\$(8,083,558)	\$(13,658,802)	\$(5,575,244)
Earnings per share (after tax)	\$(2.57)	\$(4.34)	\$(1.77)

(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.

6.24 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 6.14 for more details.

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

	December 31,2023	December 31,2022
Under 1 year	\$396,474	\$383,163
1~2 years	297,630	305,343
2~3 years	204,101	208,845
3~4 years	161,008	158,824
4~5 years	134,060	135,065
Over 5 years	295,447	291,004
Total	\$1,488,720	\$1,482,244

6.25 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 \$652,838 thousand and \$416,662 thousand are recognized for the years ended December 31, 2023 and 2022, 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 \$42,571 thousand and \$38,419 thousand are recognized for the years ended December 31, 2023 and 2022, 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 31,2023	December 31,2022
Present value of defined benefit obligations	\$2,153,785	\$2,128,117
Fair value of plan assets	(1,695,677)	(1,507,389)
Recognized liabilities for defined benefit obligations	\$458,108	\$620,728

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

	2023	2022
Defined benefit obligation as of January 1	\$2,128,117	\$2,187,576
Current service costs	60,220	45,600
Interest cost	4,565	2,464
Actuarial gains and losses arising from financial assumption adjustment	69,063	71,271
Actuarial gains and losses arising from experience assumption adjustment	50,177	48,905
Actuarial gains and losses arising from demographic assumption adjustment	10,600	(7,404)
Benefits paid by the plan	(172,815)	(228,814)
Remeasurements of defined benefit liability (asset)	3,858	8,519
Defined benefit obligation as of December 31	\$2,153,785	\$2,128,117

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

	2023	2022
Fair value of plan assets as of January 1	\$1,507,389	\$1,519,169
Interest income on plan assets	22,578	9,940
The return on plan assets	(34,058)	(58,757)
Contributions made	372,046	261,172
Benefits paid by the plan	(172,815)	(228,814)
Remeasurements of defined benefit liability (asset)	537	4,679
Fair value of plan assets as of December 31	\$1,695,677	\$1,507,389

(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, 2023 and 2022 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:

	2023	2022
Discount rate	1.15%~1.50%	1.15%~1.67%
Future salary increases rate	0.60%~3.00%	0.60%~3.00%

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, 2023				
Effect on present value of defined benefit obligation	\$(107,784)	\$115,981	\$112,769	\$(105,893)
December 31, 2022				
Effect on present value of defined benefit obligation	\$(110,691)	\$119,538	\$116,743	\$(109,217)

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, 2023 amounted to \$1,311,379 thousand.

6.26 Premiums income

	2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Premium written	\$77,615,612	\$5,695	\$77,621,307
Less: Reinsurance expense	3,315,048	\$-	\$3,315,048
Net change in unearned premium reserves	326,034	-	326,034
Subtotal	\$3,641,082	\$-	\$3,641,082
Retained premium	\$73,974,530	\$5,695	\$73,980,225

	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

6.27 Insurance claims and benefits

	2023		
	Insurance Contract	Financial instruments containing discretionary participation features	Total
Insurance claims	\$92,174,389	\$2,531,541	\$94,705,930
Less: Claims recoverable from reinsurers	2,703,524	-	2,703,524
Insurance claims and benefits	\$89,470,865	\$2,531,541	\$92,002,406

	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

6.28 Share Capital

	December 31, 2023	December 31, 2022
Authorized share capital	\$14,000,000	\$14,000,000
Capital stock issued	\$11,224,957	\$9,224,957

As of December 31, 2023, the Company's common stock was 11,224,957 thousand and outstanding common shares was 1,122,496 thousand shares with par value of \$10 (in dollars) per share.

The Company has resolved by the board of directors to increase capital by cash in the amount of \$2,500,000 thousand and issued 200,000 thousand new shares on May 23, 2023. The registration for issuance of new shares of the capital increase has been completed.

6.29 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, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$478,903	\$-
Treasury stock transactions	461,192	440,170
Difference between the proceeds and carrying amount for the acquisition or disposal of subsidiaries	1,802,890	551,087
Changes in shareholding - subsidiaries and associates accounted for under equity method	1,775,445	1,579,601
Stock options of convertible bonds	77,332	77,332
Convertible bonds premium	46,684	46,684
Employee stock options	1,368	1,368
Merger premium	53,124	53,124
Total	\$4,730,938	\$2,749,366

6.30 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 the amount that in excess of 25% of the Company's paid-in 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, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Securities Exchange Act requirement	\$3,730,232	\$3,730,232
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	1,949,068
Total	<u>\$5,990,502</u>	<u>\$5,990,502</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 2023, 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 2022, 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 6.34.

6.31 Treasury stocks

Subsidiary name	December 31,2023			
	Shares (Thousand shares)	Market price (dollars)	Total Market price	Treasury shares amount
MFB	46,969	\$13.70	\$643,469	\$490,752
MGM	3,453	13.70	47,308	31,811
MH	6,671	13.70	91,395	70,367
Total	57,093		\$782,172	\$592,930

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	48,654		\$737,111	\$488,279

6.32 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	Total
January 1, 2023	\$(10,112)	\$(2,574,354)	\$429,596	\$(5,364,542)	\$(7,519,412)
The Company	(2,331)	(5,380)	-	-	(7,711)
Subsidiaries and associates	(1,337)	2,178,102	(2,965)	3,810,622	5,984,422
December 31, 2023	<u>\$(13,780)</u>	<u>\$(401,632)</u>	<u>\$426,631</u>	<u>\$(1,553,920)</u>	<u>\$(1,542,701)</u>

	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	<u>\$(10,112)</u>	<u>\$(2,574,354)</u>	<u>\$429,596</u>	<u>\$(5,364,542)</u>	<u>\$-</u>	<u>\$(7,519,412)</u>

6.33 Non-controlling interests

	2023	2022
Balance on January 1	\$21,493,533	\$27,504,955
Non-controlling interests:		
Net profit (loss)	(5,642,999)	(7,501,272)
Unrealized gain (loss) on financial assets at FVOCI	3,550,185	(3,085,872)
Other comprehensive income (loss) on reclassification under the overlay approach	6,327,879	(1,886,062)
Exchange differences arising on translation of foreign operations	(5,022)	10,546
Defined benefit plan	35,410	16,518
Revaluation reserve of properties	842	661,101
Non-controlling interests (decrease) increase	5,652,836	5,773,619
Balance on December 31	<u>\$31,412,664</u>	<u>\$21,493,533</u>

6.34 Employee benefit

Item	2023	2022
Employee benefit		
Wages and salaries	\$10,273,711	\$9,976,170
Labor and health insurance	964,405	916,335
Pension	695,409	455,081
Director's remuneration	32,331	36,742
Other employee benefit	362,965	346,536
Depreciation and amortization	2,552,203	2,480,401

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, 2023 and 2022, the employee bonus and directors remuneration were accrued at \$0 thousand.
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.

6.35 Income tax (expenses) benefits

1. Income tax (expense) benefits

	2023	2022
Current income tax expense	\$(336,671)	\$(508,975)
Additional tax on unappropriated earnings	(37)	(9,239)
Basic tax	-	(11,494)
Income tax adjustment on prior years	5,207	33,596
Investment tax credit	5,086	1,691
Total current income tax expense	\$(326,415)	\$(494,421)
Deferred income tax		
Origination and reversal of temporary differences	3,553,906	1,635,650
Income tax (expenses) benefits	\$3,227,491	\$1,142,229

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

	2023	2022
Items that will not be reclassified to profit:		
Revaluation reserve of properties	\$(897)	\$(117,302)
Actuarial gain (loss) on defined benefit obligations	4,446	27,045
Subtotal	\$3,549	\$(90,257)
Items that will be reclassified to profit:		
Unrealized gain (loss) from debt instruments measured at FVOCI	\$(780,470)	\$680,228
Other comprehensive income on reclassification under the overlay approach	(373,715)	(10,100)
Subtotal	\$(1,154,185)	\$670,128
Total	\$(1,150,636)	\$579,871

3. The amount of income tax recognized in equity

	2023	2022
Income tax expense		
Revaluation reserve of properties	\$2,695	\$-
Deferred tax benefit		
Revaluation reserve of properties	(2,695)	-
Total	\$-	\$-

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

	2023	2022
Tax calculated based on profit before tax at statutory tax rate	\$2,981,675	\$3,819,673
Effects from items disallowed by tax regulations	(3,309,897)	(4,326,065)
Origination and reversal of deferred tax assets	3,553,906	1,636,650
Income tax adjustments on prior years	5,207	33,596
Additional tax on unappropriated earnings	(37)	(9,239)
Investment tax credit	5,086	1,691
Basic tax	-	(11,494)
Others	(8,449)	(2,583)
Income tax expenses (benefits)	\$3,227,491	\$1,142,229

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

	2023					
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Reclassified to liabilities directly associated with non-current assets held for sale	December 31
Temporary differences:						
Inventory	\$78,804	\$11,990	\$-	\$-	\$-	\$90,794
valuation losses						
Loss carry forwards	14,411,232	5,907,762	-	-	-	20,318,994
Financial assets (liabilities) at fair value through profit or loss	(529,376)	(2,086,951)	-	-	-	(2,616,327)
Investment property	(697,235)	(27,881)	-	1,798	106,886	(616,432)
Unrealized exchange losses	(6,023,849)	(153,058)	-	-	-	(6,176,907)
Financial assets (liabilities) at fair value through other comprehensive income	1,187,456	-	(1,154,185)	-	-	33,271
Others	68,143	(97,956)	4,446	-	-	(25,367)
Total	\$8,495,175	\$3,553,906	\$(1,149,739)	\$1,798	\$106,886	\$11,008,026
Presented on balance sheet						
Deferred tax assets	\$16,054,191					\$20,819,886
Deferred tax liabilities	(7,559,016)					(9,811,860)
	<u>\$8,459,175</u>					<u>\$11,008,026</u>

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	\$6,259,060	\$1,636,650	\$579,871	\$19,594	\$8,495,175
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>

6. Income tax returns of the Company and its subsidiaries have been assessed and approved by the Tax Authority are as follows:

For the year ended December 31,2020 : The Company, MA

For the year ended December 31,2021 : Other subsidiaries

6.36 Earnings per share

2023	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (in dollar)
Net profit (loss)	<u>\$(2,874,182)</u>		
<u>Basic earnings per share</u>			
Profit or (loss) attributable to common shareholders of the parent company	<u>\$(2,874,182)</u>	<u>\$928,826</u>	<u>\$(3.09)</u>

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>

The antidilutive effect was identified in 2023 and 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:

	2023	2022
At January 1	922,496	913,362
Increase: Retained earning converted into common stock	-	9,134
Increase: Increase capital by cash	56,986	-
Decrease: Shares held by the subsidiaries	<u>(50,656)</u>	<u>(48,271)</u>
Total	<u>928,826</u>	<u>874,225</u>

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

	2023	2022
Profit or (loss) attributable to common shareholders of the parent company	<u>\$(2,874,182)</u>	<u>\$(5,042,001)</u>
Weighted average shares outstanding in basic earning per share	979,482	922,496
Basic earnings per share (in dollars):		
Net profit or (loss) from continuing operations	<u>\$(2.93)</u>	<u>\$(5.47)</u>

The information of treasury stocks hold by subsidiaries, please refer to Note 6.31.

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Sanor Co., Ltd.	Joint venture
Horizon Securities Co., Ltd.	Associate
Fuh Hwa Securities Investment Trust Co., Ltd. (Note)	Associate
CMG International Two Co., Ltd.	Associate
Framosa Co., Ltd.	Associate
HoneyBear Biosciences, Inc.	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
Shengbaocun Construction Engineering Co., Ltd.	Other related party
Mercuries & Associates, Ltd. Employee welfare committee	Other related party
Simple Mart Retail Co., Ltd. Employee welfare committee	Other related party
Mercuries F&B Co., Ltd. Employee welfare committee	Other related party
Sanyou Drugstores, 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

Names of related parties	Relationship with the Company
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
The Third Special Police Corps, National Police Agency, Ministry of the Interior	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.

Note: FHSIT become a non-related party since March 20,2023.

7.2 Significant transaction with related party

7.2.1 Sales

	2023	2022
Associate	\$10,000	\$2,842
Other related party	14,292	4,318
Total	\$24,292	\$7,160

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

7.2.2 Purchase

	2023	2022
Joint Venture	\$97,385	\$84,092

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

7.2.3 Premiums income

	2023	2022
Associate	\$1,908	\$2,072
Joint Venture	95	66
Key management personnel of the Company and other related party	19,514	17,008
Total	\$21,517	\$19,146

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

	2023	2022
Associate	\$13,916	\$26,217
Joint Venture	2,397	18
Other related party	1,048	1,012
Total	\$17,361	\$27,247

7.2.5 Service revenue

	2023	2022
Joint Venture	\$2,367	\$1,596

7.2.6 Other expense

	2023	2022
Associate	\$26,361	\$21,072
Joint Venture	-	4
Other related party	48,345	53,622
Total	\$74,706	\$74,698

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:

	2023	2022
Associate	\$-	\$6,035

7.2.8 Property transactions

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

	December 31, 2023	December 31, 2022
Funds	\$-	\$106,350

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

	2023	2022
Associate	\$-	\$1,628

(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. The contract price was revised to \$578,760 in Oct 2023. As of December 31, 2023, the project has completed which was recorded as PPE.

(4) The subsidiary SCI signed a contract with Framosa Co., Ltd. to construct wastewater treatment plant with contract price \$248,818 thousand. As of December 31, 2023, accumulated amount paid was \$90,238 thousand which was recorded as construction in progress.

(5) The Company sold 500 thousand shares of MF&B to Shengbaocun Construction Engineering Co., Ltd. with a price of 45,000 thousand in July 2023.

7.2.9 Accounts receivable- related parties

	December 31, 2023	December 31, 2022
Associate	\$321	\$-
Other related party	963	312
Total	\$1,284	\$312

7.2.10 Accounts payable- related parties

	December 31, 2023	December 31, 2022
Associate	\$1,443	\$656
Joint Venture	18,204	26,022
Other related party	48,173	103,188
Total	<u>\$67,820</u>	<u>\$129,866</u>

7.2.11 Guarantee deposits received

	December 31, 2023	December 31, 2022
Associate	\$1,000	\$1,000
Joint venture	465	-
Other related party	142	139
Total	<u>\$1,607</u>	<u>\$1,139</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, 2023	December 31, 2022
Associate	<u>\$200,000</u>	<u>\$200,000</u>

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

Interest expenses

	2023	2022
Associate	<u>\$6,600</u>	<u>\$6,600</u>

Accrued interest expenses payable

	December 31, 2023	December 31, 2022
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, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Real estate mortgage and movable property mortgage	\$51,452	\$72,863
Interest receivable	\$27	\$34
	2023	2022
Interest revenue	\$1,114	\$1,180
Interest rate range	1.67%~2.32%	1.31%~2.07%

7.2.14 Key management compensation

	2023	2022
Salaries and other short-term employee benefit	\$391,747	\$404,554

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, 2023	December 31, 2022	
Reserved deposits and time deposits	\$171,536	\$208,561	As a guarantee for bid bonds, performance bonds, purchases performance, loans limit and application for provisional attachment
MLI common stock	2,573,157	1,310,975	As a guarantee for loans limit
Land and buildings	1,017,686	823,622	As a guarantee for loans limit
Government bonds	13,140,570	9,357,840	As a guarantee for security of business and futures margin
Total	\$16,902,949	\$11,700,998	

In accordance with the insurance law and related regulations, the subsidiary MLI paid the with government bonds, the deposit them in the central bank. As of December 31, 2023 and 2022, the par value of the deposits were \$9,400,000 thousand.

The subsidiary MLI has provided government bonds as security deposit to counterparty for conducting foreign exchange forward transactions, resulting in the government bonds to be recorded as ring-fenced deposits in the MLI's original custodian bank accounts. As of December 31, 2023 and 2022, the par value of the deposits was \$3,800,000 thousand and 0 thousand, respectively.

9 SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

	December 31, 2023	December 31, 2022
Promissory notes for borrowing from financial institutions.	\$16,637,653	\$18,315,500
Unused letters of credit for purchase goods.	108,878	88,300
Performance bonds issued by the financial institutions.	1,052,297	697,089
Endorsements/guarantees to subsidiary	390,000	50,000

9.1 MLI has 11 significant lawsuits related to the insurance business. The total amount of claim is \$41,777 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\$27 thousand and NT\$316,621 thousand on December 31, 2023; as well as US\$298 thousand and NT\$568,085 thousand on December 31, 2022.

9.3 The unpaid amount of the contract of information system that the subsidiary MLI had signed on December 31, 2023 was \$1,362,907 thousand.

9.4 Significant outstanding purchase commitments for property, plant and equipment on December 31, 2023 and 2022 were \$614,765 thousand and \$662,950 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. As of December 31, 2023, the fire indemnity payment has been paid and insurance claim receivables has been received.

11 SIGNIFICANT SUBSEQUENT EVENTS

The subsidiary SMR received a public tender offer in February 27, 2024. For more information, please refer to the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

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, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets measured at FVTPL	\$115,954,596	\$115,954,596	\$79,310,120	\$79,310,120
Financial assets measured at FVOCI	3,789,387	3,789,387	44,507,452	44,507,452
Financial assets measured at amortized cost	1,013,482,155	800,969,220	1,000,851,531	774,317,631
Financial liabilities:				
Financial liabilities measured at FVTPL	147,157	147,157	3,424,218	3,424,218
Bonds payable (included current portion)	10,817,011	10,912,553	10,356,454	10,366,674

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

- (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, 2023			December 31, 2022		
	Local Currency	Exchange rate	NTD	Local Currency	Exchange rate	NTD
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$27,786,446	30.74	\$854,015,828	\$28,018,309	30.71	\$860,386,481
AUD	236,309	20.91	4,940,986	235,956	20.87	4,923,476
CNY	2,780,277	4.32	12,003,313	3,384,980	4.44	15,024,864
NZD	82,836	19.41	1,607,523	146,300	19.43	2,842,897
HKD	6	3.93	22	61	3.94	240
EUR	739	34.01	25,066	775	32.77	25,255
JPY	342,336	0.22	74,339	332,710	0.23	77,247
GBP	17	39.00	666	41	37.09	1,521
KRW	13,634	0.02	325	13,634	0.02	332
SGD	6	23.28	143	6	22.91	140
			<u>\$872,668,211</u>			<u>\$883,282,453</u>
<u>Non-monetary items</u>						
USD	\$277,327	30.74	\$8,523,659	\$677,460	30.71	\$20,803,431
EUR	-	-	-	7,983	32.77	261,578
HKD	51,774	3.93	203,717	191,927	3.94	755,923
AUD	-	-	-	9,705	20.87	202,496
CNY	-	-	-	147,518	4.44	654,746
JPY	-	-	-	1,362,326	0.23	317,286
KRW	3,691,582	0.02	87,876	3,691,582	0.02	89,941
			<u>\$8,815,252</u>			<u>\$23,085,401</u>
<u>Derivative</u>						
USD	\$-	30.74	<u>\$13,143,750</u>	\$-	30.71	<u>\$6,035,151</u>
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	\$174,062	30.74	\$5,349,687	\$75,611	30.71	\$2,321,811
EUR	864	34.01	29,362	125	32.77	4,073
JPY	202,582	0.22	44,001	242,683	0.23	56,399
			<u>\$5,423,050</u>			<u>\$2,382,283</u>
<u>Derivative</u>						
USD	\$-	30.74	\$21,958	\$-	30.71	\$3,137,667
AUD	-	20.91	42,519	-	20.87	123,484
NZD	-	-	-	-	19.43	128,535
EUR	-	34.01	205	-	-	-
JPY	-	0.22	669	-	-	-
			<u>\$65,351</u>			<u>\$3,389,686</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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
USD	-1%	\$(2,111,168)	\$(1,229,360)	\$(1,748,742)	\$(1,129,448)
CNY	-1%	(120,062)	(149,233)	(96,049)	(122,380)
AUD	-1%	(43,932)	(7,916)	(35,145)	(7,395)
HKD	-1%	-	(2)	-	(3,903)
NZD	-1%	(15,789)	(8,178)	(12,632)	(6,542)
KRW	-1%	-	-	(724)	-

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, 2023 and 2022 are as follows:

	December 31, 2023	December 31, 2022
Currency risk	\$4,804,332	\$3,313,004
Interest rate risk	85,696	812,411
The risk of share price	6,697,035	4,686,788
Risk diversification	(5,802,742)	(5,331,623)
Total at risk	\$5,784,321	\$3,480,580

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Major yield curve-up 100BPS	\$-	\$(4,011)	\$(775,423)	\$(3,269,036)
Major yield curve-down 100BPS	-	4,017	434,048	3,904,116

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Increase 10%	\$-	\$-	\$6,390,193	\$2,657,258
Decrease 10%	-	-	(6,390,193)	(2,657,258)

(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, 2023	< 1 year	1~5 years	> 5 years	Total
Estimated cash outflow from financial liabilities				
Short-term borrowings	\$1,335,000	\$-	\$-	\$1,335,000
Short-term notes and bills payable	570,000	-	-	570,000
Accounts payable	8,392,213	-	-	8,392,213
Commissions payable	815,297	-	-	815,297
Lease liabilities	1,401,481	2,800,867	608,499	4,810,847
Guarantee deposits received	5,329,383	190,849	31,070	5,551,302
Bonds payable (included current portion)	7,283,862	3,530,780	758,310	11,572,952
Long-term borrowings (included current portion)	5,401,105	939,277	254,646	6,595,028
Total	\$30,528,341	\$7,461,773	\$1,652,525	\$39,642,639

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	8,325,392	508,991	228,622	9,063,005
Total	\$21,806,770	\$13,552,062	\$1,662,570	\$37,021,402

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, 2023	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	\$3,819,966	\$7,041,631	\$2,220,039	\$-	\$-	\$13,081,636
Net cash flows in flow (outflow)	\$3,819,966	\$7,041,631	\$2,220,039	\$-	\$-	\$13,081,636

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
Net cash flows in flow (outflow)	\$(550,245)	\$2,437,681	\$758,029	\$-	\$-	\$2,645,465

b.Total settlement of derivative instruments

As of December 31, 2023 and 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 (Excluding statutory refundable deposits)

2023				
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	\$2,726,152	\$-	\$-	\$2,726,152
Significant increase in credit risk	-	-	-	-
Carrying amount	<u>\$2,726,152</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,726,152</u>

2022				
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
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>

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

2023				
	12-month expected credit loss	Lifetime expected credit loss – non-credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	\$1,009,090,822	\$-	\$-	\$1,009,090,822
Significant increase in credit risk	-	-	5,236,835	5,236,835
Loss allowance	(56,653)	-	(801,172)	(857,825)
Carrying amount	<u>\$1,009,034,169</u>	<u>\$-</u>	<u>\$4,435,663</u>	<u>\$1,013,469,832</u>

	2022			
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	Total
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>

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

	2023			
	12-month expected credit loss	Lifetime expected credit loss – non- credit loss	Lifetime expected credit loss -credit loss	Total
Overdue 0~8 days	\$24,840,280	\$-	\$-	\$24,840,280
Overdue 9~30 days	82,437	-	-	82,437
Overdue 31~60 days	-	406	-	406
Overdue 61~90 days	-	-	-	-
Overdue more than 91 days or breach of contract	-	-	36,860	36,860
Significant increase in credit risk	-	-	-	-
Loss allowance	(373,811)	(6)	(554)	(374,371)
Carrying amount	<u>\$24,548,906</u>	<u>\$400</u>	<u>\$36,306</u>	<u>\$24,585,612</u>

	2022			
	12-month expected credit loss	Lifetime expected credit loss - non- credit loss	Lifetime expected credit loss -credit loss	Total
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>

d. Receivables (Interest receivable)

	2023			
	12-month expected credit loss	Lifetime expected credit loss - non- credit loss	Lifetime expected credit loss -credit loss	Total
Low credit risk	\$6,030,635	\$-	\$-	\$6,030,635
Significant increase in credit risk	-	-	122,560	122,560
Loss allowance	(495)	-	(18,637)	(19,132)
Carrying amount	<u>\$6,030,140</u>	<u>\$-</u>	<u>\$103,923</u>	<u>\$6,134,063</u>

	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	<u>\$6,321,072</u>	<u>\$-</u>	<u>\$103,831</u>	<u>\$6,424,903</u>

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 \$1,287,406,751 thousand and \$1,261,928,958 thousand on December 31, 2023 and 2022, 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 31,2023		December 31,2022	
	Amount	%	Amount	%
Taipei area	\$11,840,108	48	\$13,323,989	50
Taichung area	7,739,491	32	8,001,961	30
Tainan area	2,987,855	12	3,129,393	11
Kaohsiung area	2,018,158	8	2,313,946	9
Total	<u>\$24,585,612</u>	<u>100</u>	<u>\$26,769,289</u>	<u>100</u>

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

Region		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Taiwan		\$208,734,969	19.31	\$245,870,986	22.45
Developed countries	Asia	43,020,990	3.98	43,239,601	3.95
	North America	367,034,522	33.95	346,356,978	31.63
	Europe	175,310,544	16.21	173,478,859	15.84
	Oceania	18,597,254	1.72	17,961,661	1.64
Multi-country investment		6,373,751	0.59	7,100,465	0.65
Emerging countries (except Taiwan)		262,056,076	24.24	261,017,148	23.84
Total		\$1,081,128,106	100.00	\$1,095,025,698	100.00

E : As of December 31, 2023 and 2022, 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, 2023		
	Impaired Amount	Accumulated Impairment	Net
Accounts receivables	\$403,003	\$92,687	\$310,316

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

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

December 31, 2023	Loans (Excluding policy loans and automatic premium loans)		
	Real estate mortgage	Other secured loan	Total
Impaired amount	\$36,915	\$-	\$36,915
Less: Impairment reserves	(92)	-	(92)
Net	\$36,823	\$-	\$36,823

December 31,2022	Loans (Excluding 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

(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

MLI has completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), by the end of 2021. The Company's remaining IBOR exposures as at December 31, 2022, for financial bonds indexed to US dollar London Inter-bank Offered Rate (US dollar LIBOR) have been automatically converted from US dollar LIBOR to the Secured Overnight Financing Rate (SOFR) in accordance with appropriate fallback clauses.

The following tables show the total amounts of unreformed contracts and those with appropriate fallback language on December 31 2023 and 2022. The amounts of financial assets are shown at their carrying amounts.

	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
December 31,2023		
Financial assets		
Financial bonds	\$-	\$2,182,970
December 31,2022		
Financial assets		
Financial bonds	\$-	\$13,263,078

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, 2023			
	Total	Level 1	Level 2	Level 3
Financial assets measured at FVTPL				
Common stocks	\$50,504,136	\$50,504,136	\$-	\$-
Preferred stocks	207,288	207,288	-	-
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	13,143,750	-	13,143,750	-
Financial bonds	4,354,366	-	4,354,366	-
Beneficiary certificates and others	37,860,778	36,620,335	-	1,240,443
Foreign stocks	220,735	220,735	-	-
Foreign bonds	1,678,760	-	1,678,760	-
Foreign beneficiary certificates	7,984,783	7,581,196	-	403,587
Total	<u>\$115,954,596</u>	<u>\$95,133,690</u>	<u>\$19,176,876</u>	<u>\$1,644,030</u>
Financial assets measured at FVOCI				
Foreign bonds	\$2,726,152	\$-	\$2,726,152	\$-
Unquoted stocks	938,790	-	-	938,790
Common stocks	118,347	118,347	-	-
Preferred stocks	6,098	-	-	6,098
Total	<u>\$3,789,387</u>	<u>\$118,347</u>	<u>\$2,726,152</u>	<u>\$944,888</u>
Investment property	<u>\$20,090,454</u>	<u>\$-</u>	<u>\$-</u>	<u>\$20,090,454</u>
Financial liabilities measured at FVTPL				
Forward foreign exchange contracts, non- deliverable forward and foreign exchange swaps	\$65,351	\$-	\$65,351	\$-
Redemption options and put options of convertible bonds	81,806	-	81,806	-
Total	<u>\$147,157</u>	<u>\$-</u>	<u>\$147,157</u>	<u>\$-</u>

	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>

2. There was no significant transfer between the first and second levels for the years ended December 31, 2023 and 2022.

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

	FVTPL	FVOCI	Investment property	Total
January 1, 2023	\$1,378,565	\$973,140	\$21,697,576	\$24,049,281
Gains and losses				
Recognized in profit or loss	75,315	-	33,210	108,525
Recognized in OCI	-	491,424	26,477	517,901
Purchased	226,089	15,000	6,084	247,173
Disposals	(8,093)	(282,610)	(43,004)	(333,707)
Reclassification	-	-	(1,629,889)	(1,629,889)
Transfer into (out) Level 3	(27,846)	(252,066)	-	(279,912)
December 31, 2023	<u>\$1,644,030</u>	<u>\$944,888</u>	<u>\$20,090,454</u>	<u>\$22,679,372</u>

	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>

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, 2023 and 2022 are as follows:

	2023	2022
Gains and losses		
Recognized in profit or loss ("Financial assets and liabilities measured at FVTPL")	\$76,077	\$(194,914)
Recognized in OCI ("Unrealized gains and losses measured at FVOCI")	247,291	(378,232)
Recognized in profit or loss ("Gains and losses on investment property")	33,210	59,792
Recognized in OCI ("Revaluation reserve of properties")	26,477	-

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 2023: 20%~40% 2022: 20%~35%	Inverse relationship
The subsidiary MLI			
Financial assets measured at FVTPL – Beneficiary certificates and others	Asset adjustment method	Liquidity discount rate 2022 and 2023: 0% to 25%	Inverse relationship
Financial assets measured at FVTPL – Private fund	Asset adjustment method	Liquidity discount rate 2022 and 2023: 0% to 30% Discount rate 2023: 0% 2022: 0% to 20%	Inverse relationship

Item	Valuation technique	Significant unobservable inputs	Inter-relationship Between significant Unobservable inputs and fair value measurement
Financial assets measured at FVOCI-Venture capital	Asset adjustment method	Liquidity discount rate 2022 and 2023: 0% to 30%	Inverse relationship
The subsidiary MA Financial assets measured at FVOCI -Unquoted stocks	Market comparison method	Liquidity discount rate 2022: 7.95%	Inverse relationship
The subsidiary MFB Financial assets measured at FVOCI -Unquoted stocks	Market comparison method	Liquidity discount rate 2022 and 2023: 20%	Inverse relationship
The subsidiary MDS Financial assets measured at FVOCI -Unquoted stocks	Market comparison method	Liquidity discount rate 2022 and 2023: 15%~30%	Inverse relationship
The subsidiary SCI Financial assets measured at FVOCI -Unquoted stocks	Comparable listed company method	Liquidity discount rate 2022: 23%	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, 2023						
			Impact of changes in fair value on profit loss		Impact of changes in fair value on other comprehensive income	
		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%	\$-	\$-	\$130	\$(128)
Venture capital	Variable discount	1%	-	-	17	(18)
The subsidiary MLI						
Financial assets measured at FVTPL						
Beneficiary certificates and others	Variable discount	10%	-	(18,919)	-	-
Private fund	Variable discount	10%	-	(136,875)	-	-
Financial assets measured at FVOCI						
Venture capital	Variable discount	10%	-	-	-	(58,128)
The subsidiary MFB						
Financial assets measured at FVOCI						
Venture capital	Variable discount	1%	-	-	26	(27)
The subsidiary MDS						
Financial assets measured at FVOCI						
Unquoted shares	Variable discount	1%	-	-	176	(183)

		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)

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, 2023		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities	Total			
Financial Assets:				
Financial assets measured at amortized costs	\$800,969,220	\$323,420,837	\$477,548,383	\$-
Financial liabilities:				
Bonds payable	10,912,553	2,734,095	8,178,458	-
		December 31, 2022		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities	Total			
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	-

12.5 Offsetting financial assets and financial liabilities

1. Mercuries life insurance(MLI)

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)		
				Financial instrument	Cash Collateral received	Net amount (e)=(c)-(d)
December 31, 2023						
Derivative instruments assets	\$13,143,750	\$-	\$13,143,750	\$62,114	\$5,265,520	\$7,816,116
Derivative instruments liabilities	(62,114)	-	(62,114)	(62,114)	-	-
December 31, 2022						
Derivative instruments assets	\$6,035,151	\$-	\$6,035,151	\$2,824,440	\$2,246,904	\$963,807
Derivative instruments liabilities	(3,389,686)	-	(3,389,686)	(2,824,440)	(176,878)	(388,368)

2. Simple Mart Retail Co., Ltd. (SMR)

The subsidiary SMR 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 SMR also performs transactions not applicable to the International Financial Reporting Standards Sections 42 NO. 32, but the subsidiary SMR 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)
December 31, 2023						
Repurchase and Securities Borrow Agreements	\$500,042	\$-	\$500,042	\$500,042	\$-	\$-
December 31, 2022						
Repurchase and Securities Borrow Agreements	\$240,015	\$-	\$240,015	\$240,015	\$-	\$-

Note: Included total net delivery agreement and non-cash financial collateral.

12.6 Information of derivatives instruments

1. The subsidiary MLI

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

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

The subsidiary MLI's forward foreign exchange contract and foreign exchange 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, 2023		
	Carrying amount	Currencies	Amount
Financial assets measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$13,143,750	USD	13,909,000
Financial liabilities measured at FVTPL:			
Forward foreign exchange contracts, non-deliverable forward and foreign exchange swaps	\$19,595	USD	50,000
Forward foreign exchange contracts	42,519	AUD	35,000
	<u>\$62,114</u>		

	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>		

(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.

(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, 2023	December 31, 2022
Financial assets at FVPTL	<u>\$13,143,750</u>	<u>\$6,035,151</u>
Financial liabilities at FVPTL	<u>\$62,114</u>	<u>\$3,389,686</u>

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, 2023		
	Carrying amount	The amount determined by the market price	The amount determined by the evaluation method
Financial liabilities at FVPTL	\$3,238	\$3,238	\$-

	December 31, 2023		
	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, 2023	
Derivatives financial instruments	Contract Amount (Thousands)	Contract Period
Forward foreign exchange contracts		
Buy USD /Sell NTD	USD 23,190	2022.11.11~2025.06.24
Buy EUR /Sell NTD	EUR 4,700	2023.07.28~2024.02.01
Buy JPY /Sell NTD	JPY 400,000	2023.08.25~2024.07.29

	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, 2023 and 2022 are as follows:

Unit: Million dollar

	December 31, 2023				
	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	\$9,725	\$20,529	\$29,294	\$295,766	\$3,134,652

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

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, 2023		
	Change assumption	Effect on profits before tax	Effect on equity
Life table / morbidity	+10%	\$(1,917,449)	\$(1,533,959)
	-10%	1,917,449	1,533,959
Return on investment / discount rate	+0.25%	3,291,720	2,633,376
	-0.25%	(3,291,720)	(2,633,376)
Fee	+10%	(437,594)	(350,075)
	-10%	437,594	350,075
Retreat rate and termination rate	+10%	119,925	95,940
	-10%	(119,925)	(95,940)

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)

The table illustrates the impact of changing in net income before tax refers of the subsidiary MLI for the years ended December 31, 2023 and 2022. 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, 2023

Accident Year	Years of development												Claims Reserve
	0	1	2	3	4	5	6	7	8	9	10	11	
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	3,757,409	4,393
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	3,941,696	732
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	4,256,184	2,196
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	4,705,705	2,235
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	5,487,710	1,040
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	4,190,522	-
2018	4,105,120	4,994,680	5,079,467	5,091,286	5,097,618	5,102,540	5,102,540	5,102,540	5,102,540	5,102,540	5,102,540	5,102,540	-
2019	4,835,230	5,816,526	5,912,188	5,934,852	5,945,649	5,950,982	5,950,982	5,950,982	5,950,982	5,950,982	5,950,982	5,950,982	5,333
2020	5,257,314	6,403,176	6,514,194	6,544,959	6,552,832	6,558,742	6,558,742	6,558,742	6,558,742	6,558,742	6,558,742	6,558,742	13,783
2021	5,814,213	7,126,919	7,283,549	7,309,966	7,318,810	7,325,436	7,325,436	7,325,436	7,325,436	7,325,436	7,325,436	7,325,436	41,886
2022	6,801,648	8,257,224	8,394,333	8,422,866	8,432,628	8,440,404	8,440,404	8,440,404	8,440,404	8,440,404	8,440,404	8,440,404	183,180
2023	7,849,896	9,452,745	9,604,043	9,635,377	9,646,463	9,655,427	9,655,427	9,655,427	9,655,427	9,655,427	9,655,427	9,655,427	1,805,532
Total													2,060,310
Reported unpaid claims- long- term insurance													271,000
													<u>\$2,331,310</u>
Unreported unpaid claims reserve													\$1,798,565
Add: Reported but not approved claims (exclude contracts with financial product nature)													532,745
Balance of claims reserve													<u><u>\$2,331,310</u></u>

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><u>\$2,077,828</u></u>

B. Claims development trend of retention business

December 31, 2023

Accident Year	Years of development												Claims Reserve
	0	1	2	3	4	5	6	7	8	9	10	11	
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	3,746,112	4,393
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	3,934,731	732
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	4,247,020	2,196
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	4,687,484	2,235
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	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	4,176,643	-
2018	4,079,265	4,962,152	5,042,631	5,054,450	5,060,783	5,065,705	5,065,705	5,065,705	5,065,705	5,065,705	5,065,705	5,065,705	-
2019	4,823,566	5,800,141	5,895,715	5,918,378	5,929,175	5,934,507	5,934,507	5,934,507	5,934,507	5,934,507	5,934,507	5,934,507	5,332
2020	5,242,219	6,371,927	6,482,945	6,513,710	6,521,159	6,527,406	6,527,406	6,527,406	6,527,406	6,527,406	6,527,406	6,527,406	13,695
2021	5,772,234	7,054,832	7,210,967	7,237,042	7,245,756	7,252,325	7,252,325	7,252,325	7,252,325	7,252,325	7,252,325	7,252,325	41,358
2022	6,734,861	8,166,752	8,301,747	8,329,969	8,339,599	8,347,295	8,347,295	8,347,295	8,347,295	8,347,295	8,347,295	8,347,295	180,543
2023	7,762,975	9,327,452	9,476,081	9,507,030	9,517,956	9,526,813	9,526,813	9,526,813	9,526,813	9,526,813	9,526,813	9,526,813	1,763,838

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

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, 2023 and 2022 are as follows.

	Scale	December 31, 2023	December 31, 2022
Securitization vehicles	Total balances	\$20,829,420	\$23,898,752
Private equity fund	Total outstanding principal	13,521,012	11,521,790
REIT beneficiary securities	Total outstanding principal	-	312,653,990
Total		<u>\$34,350,432</u>	<u>\$348,074,532</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, 2023 and 2022.

	Financial assets measured at	Financial assets measured at	Financial assets measured at	
December 31, 2023	FVTPL	FVOCI	amortized cost	Total
Securitization vehicles	\$-	\$-	\$11,417,966	\$11,417,966
Private equity fund	1,368,753	-	-	1,368,753
Total	\$1,368,753	\$-	\$11,417,966	\$12,786,719

	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

For the years ended December 31, 2023 and 2022, 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, 2023 and 2022, loss related to interest of unconsolidated structured entities did not occur.

12.9 Transfer of financial assets

The transferred financial assets of the subsidiary MLI that are not qualified for de-recognition, are government bonds under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, MLI cannot use, sell or pledge these transferred financial assets during the valid transaction period. MLI is still exposed to market risks, and therefore do not completely derecognize the transferred assets.

There was no transfer of financial assets on December 31, 2023 and 2022.

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, 2023		
	Less than twelve month	More than twelve month	Total
Assets			
Cash and cash equivalents	\$61,359,378	\$-	\$61,359,378
Accounts receivables	11,124,019	-	11,124,019
Current income tax assets	1,021,915	-	1,021,915
Investments	108,781,602	1,114,076,759	1,222,858,361
Reinsurance contract assets	2,550,530	-	2,550,530
Property and equipment	-	10,714,230	10,714,230
Right-of-use assets	-	342,486	342,486
Intangible assets	-	174,332	174,332
Other assets	916,820	13,199,059	14,115,879
Liabilities			
Accounts payables	6,873,520	-	6,873,520
Financial liabilities at fair value through profit or less	62,114	-	62,114
Bonds payable	-	8,500,000	8,500,000
Lease liabilities	135,515	207,468	342,983
Insurance liabilities	30,418,785	1,239,818,716	1,270,237,501
Reserve for fluctuation of foreign exchange	-	3,269,656	3,269,656
Provisions	3,858	588,592	592,450
Other liabilities	222,926	5,396,530	5,619,456

	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

12.11 Share-based payment

1. The information of the Company increased capital by shares reserved for employees in 2023 is as follows:

	Capital increase by shares reserved for employees subscription
Grant date	August 22, 2023
Quantity Grant	20,000
Beneficiaries	Qualified employee
Vesting Conditions	Immediately vested

- (1) The fair value of stock options granted on grant date is as follows:

	Capital increase by shares reserved for employees subscription
Fair value on grant date	1.7
Stock price on grant date	14.2
Execution price	12.5
Options vesting period	Immediately vested

- (2) The compensation cost resulting from capital increase by shares reserved for employees subscription amounted to \$34,000 thousand for the year ended December 31, 2023.

2. The information of the subsidiary SCI increased capital by shares reserved for employees in 2023 is as follows:

	Capital increase by shares reserved for employees subscription
Grant date	September 25, 2023
Quantity Grant	1,200
Beneficiaries	Qualified employee of SCI
Vesting Conditions	Immediately vested

(1) The fair value of stock options granted on grant date is as follows:

	Capital increase by shares reserved for employees subscription
Fair value on grant date	15.6
Stock price on grant date	95.6
Execution price	80
Options vesting period	Immediately vested

(2)The compensation cost resulting from capital increase by shares reserved for employees subscription amounted to \$18,720 thousand for the year ended December 31, 2023.

3. The information of the subsidiary MDS increased capital by shares reserved for employees in 2023 is as follows:

	Capital increase by shares reserved for employees subscription
Grant date	November 16, 2023
Quantity Grant	1,003
Beneficiaries	Qualified employee of MDS
Vesting Conditions	Immediately vested

(1) The fair value of stock options granted on grant date is as follows:

	Capital increase by shares reserved for employees subscription
Fair value on grant date	4.25
Stock price on grant date	27.25
Execution price	23
Options vesting period	Immediately vested

(2)The compensation cost resulting from capital increase by shares reserved for employees subscription amounted to \$4,262 thousand for the year ended December 31, 2023.

12.12 Seasonality of operations

The operations of the Company and its subsidiaries are not affected by seasonality or periodicity.

12.13 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.

As of December 31, 2023, the fair value of the above reclassified financial assets that have not been derecognized was \$38,146,387 thousand. However, if MLI had not applied the above reclassification on its financial assets on January 1, 2023, its other equity and after-tax change in fair value of other comprehensive income would have decreased and increased by \$4,721,790 thousand and \$624,991 thousand, respectively.

According to FSCIB No. 11104942741 issued by the FSC, during MLI's earnings distribution, the change in fair value of reclassified financial assets will be recognized as the deduction of other equity defined by JFSCIB No. 11004920441 issued by the FSC, and the special reserve equals to the amount of change will be incurred in the current year. If there is any reversal on the change in fair value of reclassified financial assets recognized as the deduction of other equity (including disposal), the special reserve of MLI will be allowed to be reversed.

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 : None
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more : None
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, 2023 : Please refer to Notes 12.6.
10. Significant inter-company transactions during the reporting periods : Appendix 6.
11. Information on investees : Appendix 7.

13.2 Information on investment in mainland China:

1. The Company's investment type, amount and shareholding in Mainland China, please refer to appendix 8.

13.3 Information on major shareholders :

Unit: share

Shareholding Shareholder's Name	Shares	Percentage
Shang Lin Investment Co., Ltd.	202,867,944	18.07%
Shu Ren Investment Co., Ltd.	144,195,087	12.84%
Mega Prosper Investment Limited	112,000,000	9.97%
Shang Hung Investment Co., Ltd.	63,165,706	5.62%
Shu Feng Investment Co., Ltd.	56,842,477	5.06%

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:

	2023								
	Life insurance	Retail	Food and beverage	Food	IT service	Pharmaceutical	Others	Adjustments	Total
Revenue from external customers	\$123,253,654	\$18,649,865	\$5,801,432	\$792,614	\$4,090,448	\$1,418,840	\$368,101	\$11,925,798	\$166,300,752
Inter-segment revenue	19,102	53,131	1,040	124,015	\$18,426	-	31,315	(247,029)	-
Total segment revenue	\$123,272,756	\$18,702,996	\$5,802,472	\$916,629	\$4,108,874	\$1,418,840	\$399,416	\$11,678,769	\$166,300,752
Inter-segment profit (loss)	\$(12,915,709)	\$321,937	\$339,668	\$37,752	\$329,340	\$369,186	\$(226,846)	\$-	\$(11,744,672)
Segment assets	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-

Note: It's adjusted the losses on financial assets (liabilities) measured at fair value through profit or loss, the net losses arising from derecognition of financial assets measured at amortized cost, loss on foreign exchange and other comprehensive loss on reclassification under the overlay approach of MLI.

2022

	Life insurance	Retail	Food and beverage	Food	IT service	Pharmaceutical	Others	Adjustments	Note	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.

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, 2023 (Note 3)	Balance at December 31, 2023 (Note 8)	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions 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	Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	Other receivables	Yes	\$30,000	\$30,000	—	—	2	—	Working capital	-	-	-	\$184,541 (Note 9)	\$738,164 (Note 9)
2	Mercury Fu Bao Co., Ltd.	Mercuries & Associates Holding, Ltd.	Other receivables	Yes	200,000	—	—	—	2	—	Working capital	-	-	-	1,029,193 (Note 10)	1,029,193 (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 SMR:

(1)The total aggregate amount cannot exceed 40% of 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.

Note 10: Subsidiary MFB:

(1)The total aggregate amount cannot exceed 40% of MFB's net assets. However, the nature of the loan to the subsidiary which held 100% of the shares by the Company and MFB, the total aggregate amount cannot exceed 120% of net asset of MFB.

(2)The nature of the loan is related to business transaction of MFB. 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 MFB.

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		Maximum outstanding endorsement / guarantee amount as of December 31, 2023	Outstanding endorsement / guarantee amount at December 31,2023	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		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)	provided for a single party											
0	Mercuries & Associates Holding, Ltd.	Mercuries Liquor & Food Co., Ltd.	2	\$2,534,821	Note 2	\$50,000	\$50,000	\$-	\$-	0.30%	\$5,069,642	Note 2	Y	N	N
0	Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	3	2,534,821	Note 2	100,000	100,000	-	-	0.59%	5,069,642	Note 2	Y	N	N
0	Mercuries & Associates Holding, Ltd.	Framosa Co., Ltd.	6	2,534,821	Note 2	240,000	240,000	46,259	-	1.42%	5,069,642	Note 2	N	N	N
1	SCI Pharmtech Inc.	Framosa Co., Ltd.	6	509,995	Note 3	400,000	400,000	77,098	-	7.84%	2,039,981	Note 3	N	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: The amount of the Company's endorsement and guarantee for a single enterprise, which engages in endorsement and guarantee due to business relationships, cannot exceed 30% of the business transaction amount between the guaranteed company and the Company in the recent year or cannot exceed 120% of the business transaction amount in the last three months, whichever is higher and cannot exceed 15% of the Company's net assets. Those who engage in endorsement guarantees with the Company in a parent-subsidiary relationship cannot exceed 15% of the Company's net asset. In addition, for mutual guarantees between peers required for contracting projects according to contractual provisions, or for joint investment relationships where each investing shareholder endorses a guarantee for the invested company based on their shareholding ratio, the amount cannot exceed 15% of the Company's net asset.

Note 3: The total amount of SCI endorsement and guarantee cannot exceed 40% of SCI net asset, and the limit of guarantee for a single enterprise is 10% of SCI net asset. In addition, the total endorsement and guarantee of SCI and its subsidiaries' endorsement guarantee cannot exceed 40% of the net asset of SCI, and the limit of guarantee for a single enterprise is 10% of the net asset of SCI.

Appendix 3 Holding of marketable securities at the end of the period.

UNIT : NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2023				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	\$150	-	\$150	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	24,917	2.00%	24,917	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	6,961	3.12%	6,961	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Union Optronics Corp.	-	Financial assets at fair value through other comprehensive income-non-current	366	7,039	0.69%	7,039	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Advance Materials Corporation	-	Financial assets at fair value through other comprehensive income-non-current	2,093	13,835	1.87%	13,835	NA
Mercuries & Associates Holding, Ltd.	Common Stock	Semiconductor Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	300	4,543	1.88%	4,543	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	6,098	1.24%	6,098	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	Non-current assets held for sale	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	-	51,650	-	51,650	NA
Mercuries & Associates, Ltd.	Common Stock	Energenesis Biomedical Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	354	21,382	0.47%	21,382	NA
Mercuries & Associates, Ltd.	Preferred Stock	Acepodia Inc.	-	Financial assets at fair value through other comprehensive income-non-current	1,613	52,787	0.28%	52,787	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, 2023				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	102,200	0.40%	102,200	NA
Mercuries Data Systems Ltd.	Common Stock	Shinewave Co. Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	1,072	19,510	10.00%	19,510	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	90,433	2.21%	90,433	NA
Mercuries Data Systems Ltd.	Common Stock	Easycard Corp	-	Financial assets at fair value through other comprehensive income-non-current	618	54,179	0.88%	54,179	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	-	55,413	4.90%	55,413	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Energenesis Biomedical Co., Ltd	-	Financial assets at fair value through profit or loss-non-current	654	39,509	0.86%	39,509	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	10,454	4.69%	10,454	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Sysjust Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	114	9,227	0.43%	9,227	NA
Mercury Fu Bao Co., Ltd.	Common Stock	Fuh Hwa Securities Investment Trust Co.,Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	22	3,317	0.04%	3,317	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	46,969	643,469	4.18%	643,469	NA

Appendix 3 Holding of marketable securities at the end of the period.

UNIT : NTD (In Thousands)/Thousand Shares

Securities held by	Marketable securities		Relationship with the securities issuer	Financial statement account	As of December 31, 2023				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
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
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	3,453	47,308	0.31%	47,308	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	6,671	91,395	0.59%	91,395	NA
SCI Pharmtech Inc.	Beneficiary certificates	Upamc James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	61	1,052	-	1,052	NA
SCI Pharmtech Inc.	Preferred Stock	Cathay Financial Holding Co., Ltd. Preferred Stock A	-	Financial assets at fair value through profit or loss-current	672	40,051	-	40,051	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.	Preferred Stock	Ctbc Financial Holding Co., Ltd. Preferred Stock B	-	Financial assets at fair value through profit or loss-current	528	31,363	-	31,363	NA
SCI Pharmtech Inc.	Preferred Stock	Shin Kong Financial Holdings Preferred Stock A	-	Financial assets at fair value through profit or loss-current	577	16,531	-	16,531	NA
SCI Pharmtech Inc.	Common Stock	Energenesis Biomedical Co., Ltd	-	Financial assets at fair value through other comprehensive income-non-current	1,603	96,815	2.10%	96,815	NA
Mercuries Furniture Co., Ltd.	Beneficiary certificates	Phi Fund, L.P.	-	Financial assets at fair value through profit or loss -non-current	-	34,433	-	34,433	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				Gain/Loss on Disposal	Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Costs of 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	1,501,064	\$9,839,289 (NOTE 1)	141,688 (NOTE 2)	\$2,593,239 (NOTE 2)	—	\$—	\$—	\$—	\$—	1,642,752	\$12,432,528 (NOTE 1)
Mercuries & Associates Holding, Ltd.	Mercuries F&B Co., Ltd.	Investments accounted for under equity method	Shareholders of the Company, etc.	Non-Related parties	56,569	957,748 (NOTE 1)	—	143,542 (NOTE 1)	18,133	1,633,954	(357,603)	(38,398) (NOTE 4)	1,237,953 (NOTE 5)	38,436	743,687 (NOTE 1)
			Shengbaocun Construction Engineering Co., Ltd. (NOTE 6)	Related parties											

Note 1 : Included adjustments for recognition of investments accounted for under equity method.

Note 2 : Cash capital increase and adjustments for recognition of investments accounted for under equity method in the current period.

Note 3 : Included adjustments for recognition of investments accounted for under equity method and received cash dividends.

Note 4 : It is the reversal of the change in equity of the investee company and securities tax, etc.

Note 5 : Gain on disposal is recorded as capital surplus- difference between the proceeds and carrying amount for the acquisition or disposal of subsidiaries.

Note 6 : The Company disposal the MF&B stock to Shengbaocun Construction Engineering Co., Ltd. please refer to the Note 7 related party transactions.

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	472,500	ECO Technical Services Co., Ltd.	None	-	-	-	-	Negotiation	Factory expansion	-
Mercuries F&B Co., Ltd.	Da Yuan Central Kitchen	October, 2020	578,760	535,000	Shengbaocun Construction Engineering Co., Ltd.	Other related parties	-	-	-	-	Real estate professional valuation company price reasonableness assessment	Factory expansion	-

Appendix 6 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	\$1,486	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Other Income	131	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries & Associates, Ltd.	1	Other Receivable	12	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	1,379	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Life Insurance Co., Ltd.	1	Other Income	1,650	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	0.01%
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	Non-current assets held for sale	250,000	According to general conditions	0.02%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	SCI Pharmtech Inc.	1	Other Income	330	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Insurance Agency Co. Ltd.	1	Other Income	223	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries Data Systems Ltd.	1	Other Income	3,392	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries F&B Co., Ltd.	1	Other Income	1,125	According to general conditions	0.00%
0	MERCURIES & ASSOCIATES HOLDING, LTD.	Mercuries General Media, Inc.	1	Other Income	310	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Rental Income	1,930	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	Other Income	161	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries General Media, Inc.	3	Accounts Receivable	158	According to general conditions	0.00%

Appendix 6 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 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	498	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	17	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	191	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 Furniture Co., Ltd.	3	Rental Income	3,718	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	Other Income	310	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Accounts Receivable	351	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Other Receivable	33	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Furniture Co., Ltd.	3	Guarantee deposits received	960	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Rental Income	7,760	According to general conditions	0.01%
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 Income	648	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Other Expense	96	According to general conditions	0.00%

Appendix 6 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.	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	52	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercury Fu Bao Co., Ltd.	3	Guarantee deposits received	2,004	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Rental Income	22,020	According to general conditions	0.01%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Other Income	1,844	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Other Receivable	671	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries F&B Co., Ltd.	3	Guarantee deposits received	5,692	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Service Revenue	980	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Sanyou Drugstores, Ltd.	3	Accounts Receivable	171	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Other Expense	360	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Machinery equipment	1,347	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Data Systems Ltd.	3	Other payable	1,427	According to general conditions	0.00%
1	Mercuries & Associates, Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Other Expense	13	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Mercuries & Associates, Ltd.	3	Rental Income	1,570	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Rental Income	1,189	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Simple Mart Retail Co., Ltd.	3	Premium Income	4,191	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	Mercuries F&B Co., Ltd.	3	Rental Income	13,748	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%

Appendix 6 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	3,638	According to general conditions	0.00%
2	Mercuries Life Insurance Co., Ltd.	SCI Pharmtech Inc.	3	Premium Income	4,996	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd.	3	Sales revenue	12,902	According to general conditions	0.01%
3	Mercuries Data Systems Ltd.	Simple Mart Retail Co., Ltd.	3	Sales revenue	1,984	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Mercuries F&B Co., Ltd.	3	Sales revenue	1,386	According to general conditions	0.00%
3	Mercuries Data Systems Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Sales revenue	2,155	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercury Fu Bao Co., Ltd.	3	Purchases	8,867	According to general conditions	0.01%
4	Simple Mart Retail Co., Ltd.	Mercury Fu Bao Co., Ltd.	3	Accounts Payble	675	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercury Fu Bao Co., Ltd.	3	Rental Income	3,520	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercury Fu Bao Co., Ltd.	3	Service Revenue	400	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Sales revenue	1,348	According to general conditions	0.00%
4	Simple Mart Retail Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Purchases	10,751	According to general conditions	0.01%
4	Simple Mart Retail Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Accounts Payble	1,297	According to general conditions	0.00%
5	Mercuries F&B Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Purchases	6,441	According to general conditions	0.00%
5	Mercuries F&B Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Rental Income	1,040	According to general conditions	0.00%
5	Mercuries F&B Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Accounts Payble	1,134	According to general conditions	0.00%
6	Mercury Fu Bao Co., Ltd.	Mercuries Furniture Co., Ltd.	3	Rental Income	1,829	According to general conditions	0.00%
6	Mercury Fu Bao Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Sales revenue	1,326	According to general conditions	0.00%

Appendix 6 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)
6	Mercury Fu Bao Co., Ltd.	Mercuries Liquor & Food Co., Ltd.	3	Accounts Receivable	66	According to general conditions	0.00%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	Purchases	79,993	According to general conditions	0.05%
7	Mercuries Liquor & Food Co., Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	3	Accounts Payble	15,413	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 7 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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by parent company for the year ended December 31, 2023 (Notes 1)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates Holding, Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	\$9,014,898	\$8,302,799	1,642,752	32.21%	\$12,432,528	(\$9,515,989)	(\$2,971,037)	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%	871,556	33,756	33,560	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Data Systems Ltd.	Taipei	Purchasing, sale, processing, and installation of computer equipment	605,945	612,222	97,495	49.54%	1,494,567	251,831	134,163	Subsidiary
Mercuries & Associates Holding, Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	736,053	614,293	35,591	29.78%	1,624,265	294,721	92,327	Subsidiary
Mercuries & Associates Holding, Ltd.	Simple Mart Retail Co., Ltd.	Taipei	Retail	367,393	367,393	41,019	60.77%	1,123,183	99,418	60,415	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%	2,401,301	(242,367)	(242,367)	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%	75,780	10,229	8,894	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Harvest Co., Ltd.	Taipei	Lease and sales of machinery equipment	90,478	90,478	9,000	100.00%	102,218	(923)	(923)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries F&B Co., Ltd.	Taipei	Beef noodles and pizza restaurant chain stores	349,581	514,500	38,436	63.62%	743,687	260,742	206,004	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	485,203	485,203	44,895	60.59%	457,889	13,079	8,147	Subsidiary
Mercuries & Associates Holding, Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	19,734	19,734	17	8.61%	511	(119)	(10)	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Furniture Co., Ltd.	Taipei	Furniture retail and decoration	626,210	626,210	13,000	100.00%	(60,198)	(13,727)	(15,378)	Subsidiary
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%	27,296	3,401	3,401	Subsidiary

Appendix 7 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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by parent company for the year ended December 31, 2023 (Notes 1)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value (Note2)			
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%	127,685	43,208	43,208	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Insurance Agency Co., Ltd.	Taipei	Insurance agency	3,000	3,000	500	100.00%	47,096	21,665	21,665	Subsidiary
Mercuries & Associates Holding, Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	—	148,380	—	—	—	—	—	Subsidiary
Mercuries & Associates Holding, Ltd.	Tastynoodle Co., Ltd.	Samoa	Investment	—	147,913	—	—	—	—	—	Subsidiary
Mercuries & Associates Holding, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	—	192,057	—	—	—	—	—	Subsidiary
Mercuries & Associates Holding, Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	450,996	450,996	4,900	32.67%	46,028	(36,729)	(17,747)	Subsidiary
Mercuries & Associates Holding, Ltd.	Framosa Co., Ltd.	Taipei	Circular economy by purifying and utilizing used solvents	86,250	86,250	8,625	15.00%	71,334	(31,973)	(4,796)	Associate
Mercuries Data Systems Ltd.	Mercuries Data Systems International Ltd.	British Virgin Islands	Investment	738,652	738,652	—	100.00%	185,107	(17,205)	(17,205)	Subsidiary
Mercuries Data Systems Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	114,435	114,435	146	72.80%	7,059	(119)	(86)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Information Systems International Co., Ltd.	Taipei	Software and data processing services	3,000	3,000	300	100.00%	1,016	(132)	(132)	Subsidiary
Mercuries Data Systems Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	101,667	101,667	14,100	0.28%	110,437	(9,515,989)	(29,407)	Subsidiary
Mercuries Data Systems Ltd.	Digicentre Company Limited.	Taipei	Software services	150,000	150,000	6,864	28.92%	184,826	55,270	15,985	Associate
Mercuries Data Systems International Ltd.	Core Info Tech Limited (Hong Kong)	Hong Kong	Investment	715,423	715,423	—	100.00%	185,985	(17,220)	(17,220)	Subsidiary

Appendix 7 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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by parent company for the year ended December 31, 2023 (Notes 1)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries & Associates, Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	50,000	20,000	5,000	6.75%	50,996	13,079	539	Subsidiary
Mercuries & Associates, Ltd.	Family Shoemart Co., Ltd.	Samoa	Investment	—	29,995	—	—	—	—	—	Subsidiary
Mercuries & Associates, Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	597,073	435,579	93,720	1.84%	734,046	(9,515,989)	(160,061)	Subsidiary
Mercuries & Associates, Ltd.	Simple Mart Retail Co., Ltd.	Taipei	Retail	4,347	4,347	63	0.09%	1,725	99,418	93	Subsidiary
Mercuries & Associates, Ltd.	Sanor Co., Ltd.	Taipei	Agency for shoes	80,000	80,000	8,000	50.00%	105,526	45,121	22,560	Joint Venture
Mercuries & Associates, Ltd.	TriHealth Enterprise Co., Ltd.	Taipei	Medicine circulation	70,000	70,000	3,248	21.21%	46,990	(5,119)	(2,703)	Associate
Mercuries & Associates, Ltd.	HoneyBear Biosciences, Inc.	New Taipei	Biotechnology services	10,000	10,000	1,000	3.50%	8,263	(39,993)	(1,492)	Associate
Mercuries & Associates, Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	115,159	—	1,439	1.20%	65,694	294,721	740	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	769,030	597,385	138,754	2.72%	1,104,865	(9,515,989)	(265,753)	Subsidiary
Mercury Fu Bao Co., Ltd.	SCI Pharmtech Inc.	Taoyuan	Processing, manufacture, and sale of active pharmaceutical ingredients (APIs) and API intermediates	137,413	118,791	2,840	2.38%	193,729	294,721	7,124	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	75,262	75,262	3,718	5.02%	37,919	13,079	675	Subsidiary
Mercury Fu Bao Co., Ltd.	Hipact Tech Inc.	Taipei	Operation management consultant and computer equipment installation	8,840	8,840	10	5.17%	501	(119)	(6)	Subsidiary
Mercury Fu Bao Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	—	49,303	—	—	—	—	—	Subsidiary

Appendix 7 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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by parent company for the year ended December 31, 2023 (Notes 1)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value (Note2)			
Mercury Fu Bao Co., Ltd.	Fuh Hwa Securities Investment Trust Co.,Ltd.	Taipei	Securities investment trust	—	991	—	—	—	239,476	73	Associate
Mercury Fu Bao Co., Ltd.	Horizon Securities Co., Ltd.	Taipei	Integrated securities houses	135,631	135,631	21,503	6.12%	289,981	179,799	11,007	Associate
Mercuries Harvest Co., Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	7,000	7,000	687	0.93%	7,228	13,079	125	Subsidiary
Mercuries Harvest Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	9,472	—	1,800	0.04%	14,098	(9,515,989)	(1,090)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	144,691	144,691	14,571	0.29%	114,124	(9,515,989)	(30,778)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Leisure Co., Ltd.	Taipei	Leisure and entertainment	70,000	70,000	6,749	9.11%	68,830	13,079	1,224	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	—	275,896	—	—	—	—	—	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries F&B Consulting Co., Ltd.	Taipei	Catering retail and management	49,100	49,100	4,910	98.20%	9,743	(13,860)	(13,611)	Subsidiary
Mercuries F&B Co., Ltd.	Mercuries Food Service Japan Ltd	Japan	Catering retail	50,063	27,013	20	100.00%	16,762	(9,553)	(9,553)	Subsidiary
SCI Pharmtech Inc.	Yushan Pharmaceuticals, Inc.	Taoyuan City Luzhu Dist	The research and development , manufacture and sale of API	351,761	351,761	35,190	100.00%	353,291	3,820	4,607	Subsidiary
SCI Pharmtech Inc.	Framosa Co., Ltd.	Taipei	Circular economy by purifying and utilizing used solvents	143,750	143,750	14,375	25.00%	116,815	(31,793)	(10,068)	Associate
Yushang Pharmaceuticals, Inc.	HoneyBear Biosciences, Inc.	New Taipei	Biotechnology services	33,000	15,000	3,300	11.54%	27,992	(33,961)	(3,771)	Associate
M. T. I. CIGARS CO., LTD.	Mercuries Foodservice Co., Ltd.	Samoa	Investment	—	134,428	—	—	—	—	—	Subsidiary

Appendix 7 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, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by parent company for the year ended December 31, 2023 (Notes 1)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value (Note2)			
Mercuries Furniture Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	143,635	143,635	11,795	0.23%	92,381	(9,515,989)	(24,600)	Subsidiary
Mercuries Liquor & Food Co., Ltd.	Shang Rih Ltd.	Taipei	Retail	6,000	6,000	600	100.00%	7,584	567	567	Subsidiary
Simple Mart Retail Co., Ltd.	Simple Mart Plus Co., Ltd.	Taipei	Catering retail	60,000	60,000	6,000	100.00%	42,198	1,146	1,146	Subsidiary
Simple Mart Retail Co., Ltd.	Sanyou Drugstores, Ltd.	Taipei	Cosmeceutical	114,879	64,879	10,100	67.33%	96,652	(36,729)	(17,800)	Subsidiary
Simple Mart Retail Co., Ltd.	Mercuries Life Insurance Co., Ltd.	Taipei	Life insurance	5,742	5,742	1,050	0.02%	8,224	(9,515,989)	(2,190)	Subsidiary
Shang Rih Ltd.	Mercuries Liquor & Food Japan Co., Ltd.	Japan	Sales of liquor, beverage and food	4,116	4,116	—	100.00%	7,267	603	603	Subsidiary
Mercuries Life Insurance Co., Ltd.	Fuh Hwa Securities Investment Trust Co., Ltd.	Taipei	Investment consulting and asset management	—	825,352	—	—	—	239,476	46,065	Associate
Mercuries Life Insurance Co., Ltd.	Horizon Securities Co., Ltd.	Taipei	Integrated securities houses	65,139	65,139	7,510	2.14%	101,278	179,799	3,845	Associate
Mercuries Life Insurance Co., Ltd.	CMG International One Co., Ltd.	Taipei	Residence and buildings lease construction and development	1,575,000	1,575,000	157,500	45.00%	1,551,177	(10,630)	(4,784)	Associate
Mercuries Life Insurance Co., Ltd.	CMG International Two Co., Ltd.	Taipei	Residence and buildings lease construction and development	1,800,000	1,800,000	180,000	45.00%	1,762,988	(17,635)	(7,935)	Associate
Mercuries Life Insurance Co., Ltd.	NFC II Renewable Power Co., Ltd.	Taipei	Investment, operation and management of solar power plants	315,000	315,000	31,500	21.00%	307,761	(15,977)	(3,355)	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.

Note 3: Since March 20, 2023, it has not been an associate of the Company and its subsidiaries.

Appendix 8 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, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the period ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the company (direct or indirect)	Investment income (loss) recognized by the parent company for the year ended December 31, 2023(Note 2)	Book value of investment in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023
					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	(17,274)	100.00%	(17,274) (2)B	181,947	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 20223	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.	\$1,833,384
\$4,624 (Note5)	Freotech Intelligent Systems Co., Ltd invested USD\$159,988.	\$567,065
\$222(Note6)	Airoha Technology(Suzhou)Corp. invested USD\$7,727.	\$16,177

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%.